

PV Drilling

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION - INTEGRATED ANNUAL REPORT 2018

STOCK CODE: PVD

PV Drilling

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION

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UNTIRING PERSEVERANCE

ANNUAL REPORT

2018



VISION

To be an internationally reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry.

MISSION

Becoming a leading regional drilling services provider and drilling contractor, creating great value added for clients by delivering premium services at competitive prices.

CORE VALUES

PEOPLE

- Maintain positive workplace relationships with each other.
- Nurture passion by sharing knowledge, experience, ideas and information with each other.
- Create a positive workplace environment where every employee can learn, contribute, and excel in his/her field of work together with the continuous development of PV Drilling.
- Ensure the safety of our people and our workplace.

INTEGRITY

- Always behave in accordance with the Law and our Code.
- Raise questions and concerns when we notice inappropriate acts.
- Preserve PV Drilling's as well as customers' assets.
- Being accountable for our own actions.

PROFESSIONALISM

- Have the required skills and capability to do our work effectively and efficiently.
- Respect all commitments we have made and strive to generate the best results by taking suitable approaches to minimize costs.
- Constantly develop and innovate to provide value added services to clients.
- Make decisions based wholly on the interest of PV Drilling and the long-term interest of our clients and shareholders.

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INSPIRE THE CONFIDENCE

Established and developed from the dream of becoming a world – class Vietnamese drilling contractor, PV Drilling will steadily reach further when that dream is continuously nurtured by each PVD member.

PV Drilling
ANNUAL REPORT **2018**

CEO's Letter to Shareholders

Company Profile

Corporate governance model at PV Drilling

History and Milestones (2001 - 2018)

Awards & Accolades 2018



CEO's Letter to Shareholders

The average number of operating rigs in 2018 increased from 2.2 to 3.4 rigs coming from the success of service development strategies to overseas which PV Drilling has implemented with high determination and utmost efforts to overcome its current obstacles. In 2018, PV Drilling had 4 of 6 drilling rigs perform services for overseas' clients in Thailand, Algeria, and Malaysia

Mr. PHAM TIEN DUNG
President & CEO

DEAR ESTEEMED SHAREHOLDERS, INVESTORS, PARTNERS AND CLIENTS,

The year 2018 observed erratic fluctuations in global financial system caused by the protectionism imposed by the U.S. to mainly target Chinese goods and services. This has put tensions and influences which hurt the world's economy. Consistently, the world oil market in 2018 fluctuated between the ceiling and floor prices twice in two months as the consequence from the adjustment of the U.S. embargoes and sanctions against Iran. The crude oil price (Brent) in the first half of 2018 maintained at a stable level between 70 and US\$ 75/bbl and sharply rose to US\$ 85/bbl in early October, which marked the peak for the past four years due to the concerns related to the reinstatement of the U.S sanctions against Iran. However, these concerns have soon been released deliberately since the market supply remained stable which tumbled the oil price from four-year high to the lowest at US\$ 51/bbl at the end of 2018. Overall, the oil and gas market in 2018 had partly recovered and prospered after three years of falling into bear market. The Brent was averaged at US\$ 71.3/bbl in 2018, which was far below the forecasted figure, but still higher than the average price of 2017 by 31.4%. To capture the market trend, large oil firms have gradually started their exploration drilling campaigns to obtain potential opportunities. As a result, higher oil prices are stimulating the increased demand for drilling rigs, with 345 drilling rigs being employed out of total of 454 drilling rigs in the scope of the world, accounting 75.8% of the market utilisation. In South-East Asia region, the efficiency rate of jack-up rigs increased from 65 per cent at the commencement of 2018 to 70.7 per cent with 37/52 drilling rigs contracted at the closing of 2018 (Source: HIS). In Vietnam, the market has not yet been fully recovered; long-term drilling campaigns have not yet been restarted, while few short-term drilling campaigns and well abandonment activities have been implemented.

In the spirit of effort and high determination to "stand steady against challenges", in 2018, PV Drilling highly concentrated in mobilising research resources and launching strategic solutions that led to reach business plan which were assigned by the Annual General Meeting of Shareholders (AGM). Based on the recovery of the market, along with constant efforts, PV Drilling has gained opportunities to develop its serviced market, ensuring job security for corporate staffs and improving the business performance to exceed its business plan of 2018. Thereby, PV Drilling achieved revenue of VND 5,500 billion (83% higher than projected plan) and profit after tax of VND 198 billion successfully exceeding "no loss plan" approved by the AGM.

To all PV Drilling's executives and staffs, the above achievement is significantly impressive and meaningful in challenged and difficult context. The increasing of revenue resulted mainly from the increment of number of drilling rigs operated, specifically, average number of operating rigs in 2018 was 3.4 rigs compared to 2.9 rigs as planned; improving of utilization rate from 55% as projected to 85% ; attaining of two bundled service contracts with Premier Oil and Thang Long JOC. Besides, revenue of drilling related services, well services, trading, mechanical repairs and manpower service also grew due to increasing of customer's demands.

The average number of operating rigs in 2018 increased from 2.2 to 3.4 rigs coming from the success of service development strategies to overseas which PV Drilling has implemented with high determination and utmost efforts to overcome its current obstacles. In 2018, PV Drilling had 4 of 6 drilling rigs perform services for overseas' clients in Thailand, Algeria, and Malaysia. In details, two drilling rigs are serving in Malaysian territories, including PV DRILLING III performing a tender for Repsol and PV DRILLING VI operating for IPC (Ludin). In Southeast Asia, Malaysia has been considered as a potential market accompanied with strict requirements in terms of quality of services as well as work safety. Moreover, the local authorities provide a stiff protection for local companies through policies. The success in market development in this country as well as earning trust from Repsol via contract extension is a tremendous pride for PV Drilling. This implies the trust of clients for the prestige and quality services that PV Drilling has promoted since its founding and the efforts to maintain through the oil price crisis when we forced to minimize operation costs. Besides drilling services, during the past year, PV Drilling has succeeded in providing manpower services, mechanical repair services, training and exporting labour to major markets such as Japan, Myanmar, and others. Apart from revenue and profit objective revenue and profit objective, this success was breakthroughs in the development orientation for those services while the prosperity for domestic markets is still ambiguous.

CEO's Letter to Shareholders (continued)

Promoting the advantages as a leading provider of drilling and well technical services, in 2018, PV Drilling took strategic moves through the successful development and provision of Bundled Services for Premier Oil and Thang Long JOC. These Bundled Services has received well feedbacks from the clients and brought certain economic benefits to PV Drilling while the domestic market has yet approached with the recent growth rate of the regional market. Apart from economic benefits, Bundled Services are also a solution to maintain the synchronous development for all services provided and ensure stable employment for corporate's staffs in the meantime. Well technical services and other oil-and-gas related services in the past year have been recognised with a positive growth compared to the plan; however, the business in general still suffers from the decline in the demand of the domestic market. This has led to the reduction of corporate earnings compared to the previous years. Despite challenges, quality and safety for our services are always preserved.

Since the establishment of the brand name, we have always determined that Safety – Quality are our first priorities in the process of providing services to clients. Ensuring safety and free from Lost Time Incident (LTI) on drilling rigs and well technical services requires professionalism, compliance and strict control of the processes and policies of both PV Drilling and clients. The work of ensuring safety for drilling rigs and drilling-related activities has become an arduous task since the corporate has attempted to downsize the costs for different operations in order to offer the most competitive day rate for clients. We are certainly proud that the mission we completed with excellent record in 2018, as well as receiving the honourable recognitions from International Association of Drilling Contractors (IADC) for Zero LTI in many consecutive years for all PV Drilling's rigs. Safety trainings are prioritised to provide sufficient knowledge and skills for employees. Specifically, there were 4,529 turns of officials and employees receiving well HSEQ trainings in the year. Moreover, there were 4,379 turns of internal training sessions, occupying 96.7% of the total number of trainings given. This is also a tremendous pride

of PV Drilling when the corporate has successfully set up an internal training team of its own to replace outsourcing services.

Sustainable development is a major goal of PV Drilling. In recent years of fierce and challenging business environment, in addition to prioritising research and implementation of solutions with immediate effect to convey PV Drilling to achieve business objectives, in 2018, the Executive Board completed an overall proposal for PV Drilling's reorganisation in a streamlined and efficient management apparatus to minimize costs and improve labour productivity and production efficiency; in which, prioritising and promoting core oil and gas technical services, Bundled Services, well technical services are to create a fundamental expansion to develop drilling well technical services to the world market. The proposal has been approved by the parent company – Vietnam National Oil and Gas Group. The implementation shall follow a specific roadmap to ensure the stability for production and business activities of PV Drilling.

In 2019, the outlook of oil and gas market is forecasted with prosperous changes. Brent has reached above US\$ 65/ bbl in the first start of the year and is expected to oscillate in between 65 – US\$ 70/bbl. The demand for drilling rigs in Southeast Asia is therefore assumed to be improved compared to 2018. The day rate for drilling rigs is assessed to attain for a reasonable growth. However, tremors

In 2019, the outlook of oil and gas market is forecasted with prosperous changes. Brent has reached above US\$ 65/ bbl in the first start of the year and is expected to oscillate in between 65 – US\$ 70/bbl. The demand for drilling rigs in Southeast Asia is therefore assumed to be improved compared to 2018.

from the oil price crisis would continue to become one of the main pressures for drilling contractors to maintain their competitive price. In addition, Vietnamese oil and gas market has certain latency versus the growth of the regional markets. Hence, PV Drilling will still face difficulties in finding jobs for drilling rigs and drilling well technical services in domestic market. Based on our self-evaluation, we are planning the key tasks for PV Drilling in 2019 as follows:

- Continue maintaining high service quality, enhancing competitiveness, and seeking for opportunities to promote service development in Southeast Asia and the Middle East regions.
- Keep abreast of the domestic market, maintain the operation of 1-2 jack ups for domestic drilling campaigns; and in case the domestic market show flourished signs, considering the collaboration with foreign partners to adapt the demand.
- Promote the development of Bundled Services to overseas, thereby, to create a foundation to deliver oil and gas well technical services to foreign markets.
- Continue maintaining the streamlined and professional human resources, developing highly specialised staff internally, and strengthening financial management, risk management, and optimising operation and production costs.
- Gradually deploy PV Drilling's general restructured plan for the adaption of current business environment, and convey PV Drilling to overcome challenges and develop towards sustainability.

Along with the optimistic signals of the market, PV Drilling started very well in 2019 since PV DRILLING II rig was mobilized to Malaysia to serve the drilling campaign of Sapura Energy Company and the long-term contract for PV DRILLING III was successfully renewed by Repsol Malaysia. Apart from PV DRILLING V that we are paying our best effort to seek jobs for the rig, the rest of PV Drilling's fleet has plans to serve drilling projects for domestic clients such as VSP, ENI, Murphy Oil and is

always in a state of willingness to bid internationally for opportunities to carry out our services in foreign markets. The success of the service development strategy and the recovery of the domestic market will be promise to boost the growth for PV Drilling's services in 2019.

Based on the difficult experience that PV Drilling has undergone and the achievement that we have fulfilled together during the most crisis period of the oil and gas industry recently, we strongly believe that the the spirit of enthusiasm and untiring perseverance of Vietnamese drillers have been smouldering in every PVD member. The journey to convey PV Drilling to sustainable development will certainly be covered by challenges; in order to fulfil this mission, the Board of Directors and all employees need to unite, continuously "take untiring perseverance" and nurture the belief to convey the name of Vietnamese drilling contractor to a strong development and reach further in the world.

On behalf all PV Drilling's executives and staffs, we would like to express our sincere thanks to Vietnam National Oil and Gas Group, Shareholders, Investors, and Clients who have supported, trusted and accompanied PV Drilling. Your support is an invaluable motivation to assist PV Drilling to become stronger on the journey to conquer new challenges.



PHAM TIEN DUNG
President & CEO

Company Profile

Scope of Business

PV Drilling is specialized in providing drilling rigs and drilling technical services for the exploration and production of oil and gas industry locally and internationally:

- Owns and operates onshore and offshore drilling rigs;
- Drilling tools rental services;
- Mud logging & Geologist Consultants services;
- Tubular running services;
- Wellhead services;
- Oil spill response services;
- Inspection, maintenance, refurbishment of drilling tools material and equipment services;
- Manpower training and supply; Safety and technical training and certification for oil and gas industry and other industries;

During 17 years of establishment and development, PV Drilling has quickly grown into an internationally reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry. In its corporate development strategy, PV Drilling planned to expand its services to deeper sea and further lands outside Vietnam, operating for exploration and production campaigns both locally and internationally.

- Material, equipment, spare parts supply for oil & gas industry and other industries;
- Maintenance of industrial equipment: assembling, inspection, repairing and maintenance of clustered equipment & production line;
- Casing services as well as design and manufacture equipment and metal works;
- Other technical services in collaboration with foreign partners: Cementing and well service stimulation; Full package of services for OCTG, Repair and maintenance for OCTG; Well testing and early exploitation; Directional drilling and survey; Measurement while drilling; Core logging; Borehole geophysical survey (excluding mining mud logging services); Liner hanger; Deep drilling well rescue service; Sales agent for chemical and drilling mud; Drilling bits; Pressed artificial reservoirs; Intelligent well completion and reservoir engineering services;
- Investment Consulting - Project Management and Management Consulting; Oil & gas technology consulting; applied natural science and technical Research & Development;
- Supporting services for crude oil and natural gas exploitation: deep water drilling rig supply for exploration and exploitation activities in oil & gas industry

Business Areas

- With the ownership of 5 offshore rigs, 1 semi-submersible tender assist drilling (TAD) rig and 1 land rig, PV Drilling currently holds about 50% of domestic drilling market.
- Other technical services: PV Drilling currently dominates about 80% - 100% market share of manpower, threading and oil spill response services.

International Market:

• In Algeria:

In 2017, the land rig PV DRILLING 11 intermittently carried out several workover jobs for clients in Algeria and started resuming its operation in December also in this country.

• In Malaysia

In 2017, PV Drilling succeeded in having the Certificate of Branch Establishment in Malaysia. Previously, PV Drilling established its representative office there in 2012. This change will help PV Drilling to have favorable conditions in service provision in this country.

• In Myanmar

The Myanmar subsidiary has been established according to the Decision No. 01/03/2015/QĐ-HĐQT dated March 04, 2015 of PV Drilling's Board of Directors and Certificate of Incorporation No. 594/CNDK-SCT dated 18 June, 2015 issued by Ho Chi Minh City Department of Industry and Trade. Its registered office is located at No. 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.

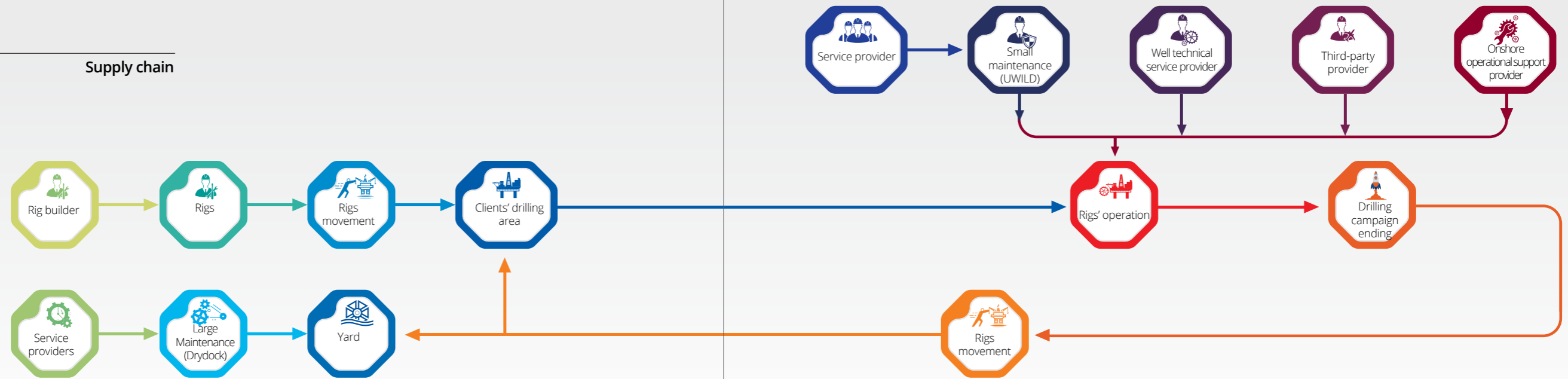
• In Singapore

In 2013, PV Drilling established the joint venture PV Drilling Overseas to invest and operate drilling rigs. Hence, the PV DRILLING VI rig, invested by PV Drilling Overseas, was pulled back to Vietnam to serve for drilling campaigns from early March, 2015.

• In Thailand

On 22 September 2017, PV Drilling officially received the License No. 756002194 of the Office of Foreign Enterprise Departure in Thailand on the establishment of PV Drilling's branch in Thailand with the aim of looking for more opportunities to develop services in this country.

Supply chain

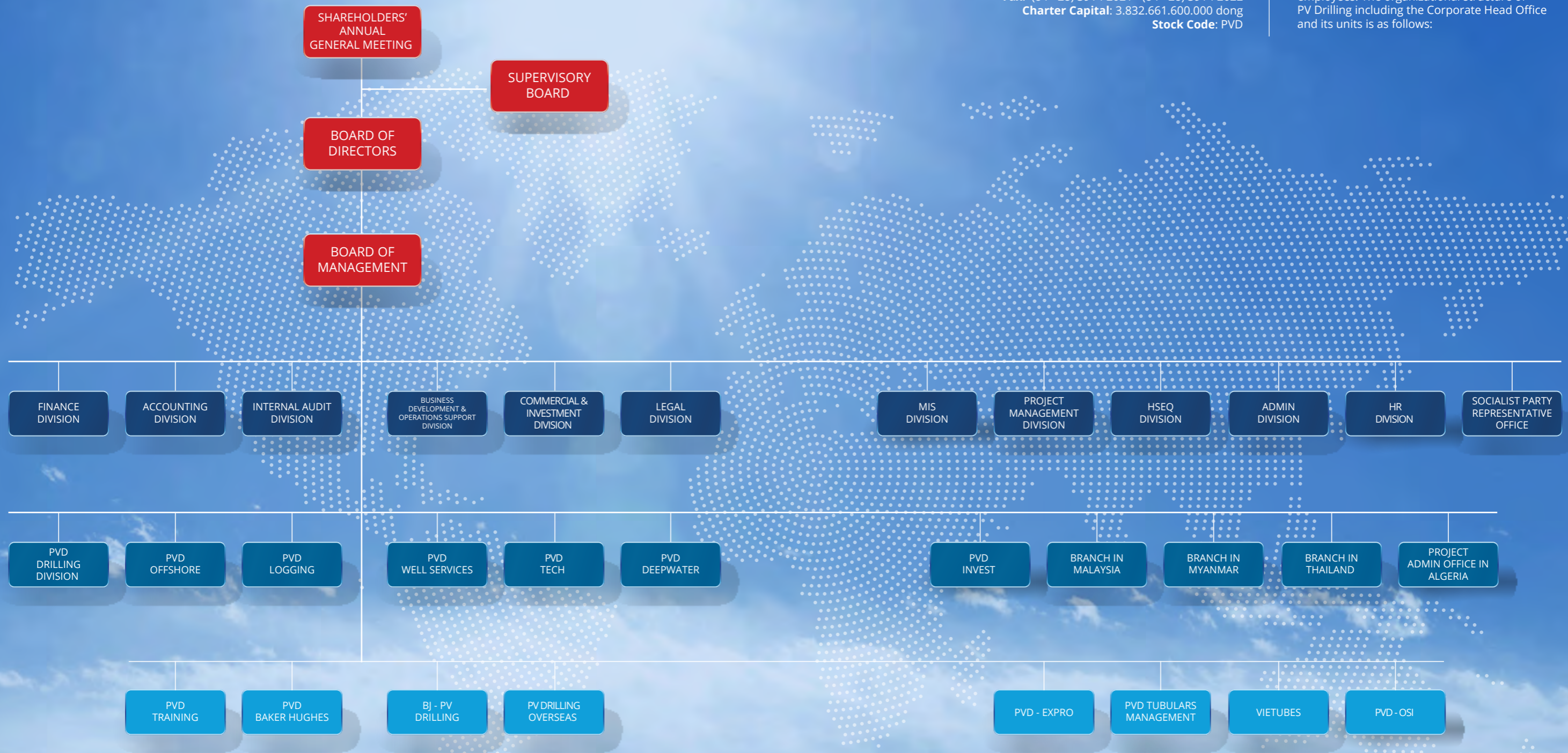


PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION (PV DRILLING)

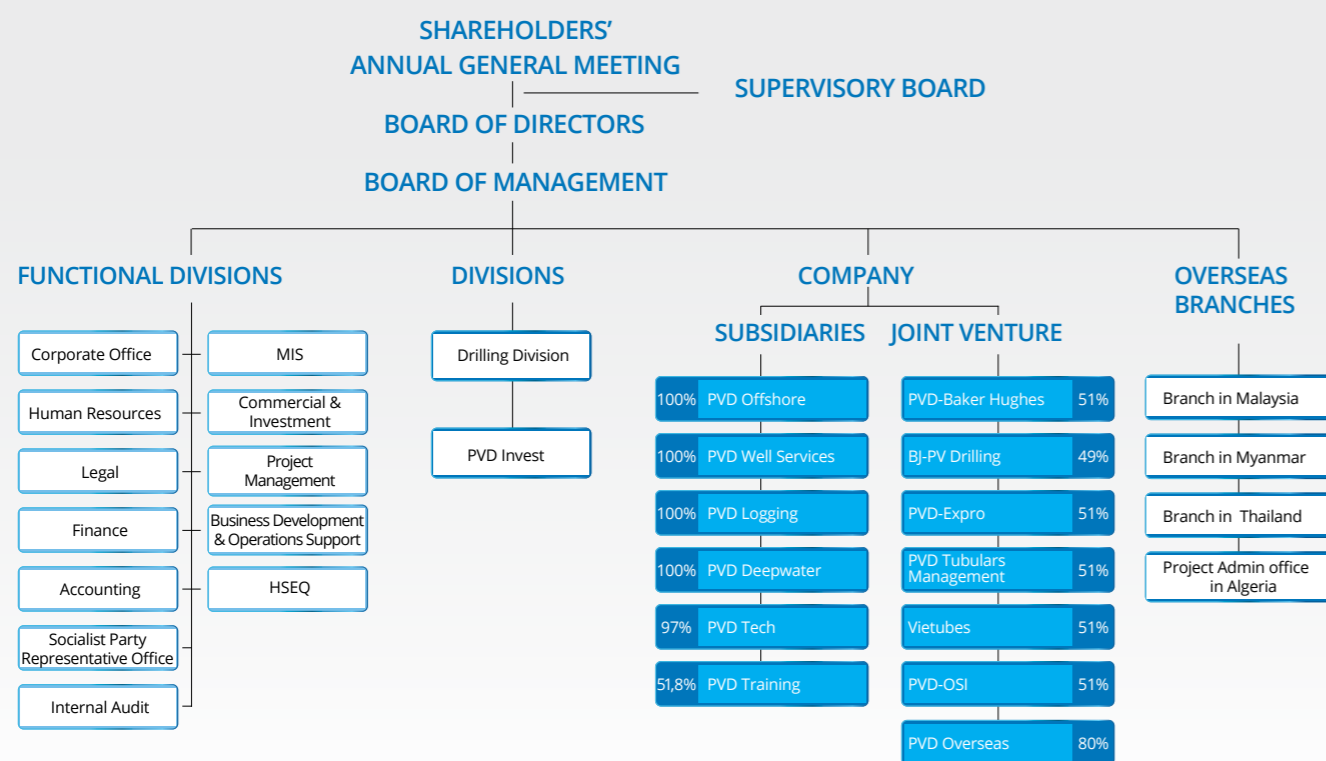
Head Office: 4th Floor, Sailing Tower, 111A Pasteur, Ben Nghe Ward, District 1, Ho Chi Minh City
Phone: (84 - 28) 3914 2012
Fax: (84 - 28) 3914 2021 - (84 - 28) 3914 2022
Charter Capital: 3.832.661.600.000 dong
Stock Code: PVD

1,718 EMPLOYEES

As of 31/12/2018, PV Drilling and all its subsidiaries have a total number of 1,718 employees. The organizational structure of PV Drilling including the Corporate Head Office and its units is as follows:



Corporate governance model at PV Drilling



PV Drilling implemented equalization and has been operating under the form of holding and subsidiaries since 2005. With more than 13 years operating this management model, PV Drilling has been continuously implementing, monitoring and modifying corporate governance following to newest guidance and standardizing internal processes based on international practices, as well as clearly allocating responsibility between parent and subsidiaries which significantly create more room for subsidiaries to actively implement operation activities. In addition, the specialization of management model has enhanced the quality of management processes which monitoring all internal operation activities, improving the efficiency of corporate governance, increasing the professionalism and labor productivity. All these factors have contributed to the efficiency of business operations and the sustainability of organization.

The relationship between the Corporation and its subsidiaries, joint ventures

Based on business core related to providing drilling rigs and drilling technical services, the Corporation has established subsidiaries, joint venture and affiliated entities in both Vietnam and overseas according to specialized services of drilling activities. Thus, the relationship between

the Corporation and its subsidiaries, joint ventures and affiliated entities must be closed and transparent.

The subsidiaries that the Corporation owns 100% of the charter capital

The relationship between the Corporation and its wholly owned subsidiaries is regulated and implemented according to the charter of the Corporation, financial management regulations of the Corporation, Charter of subsidiaries, Financial management regulations of subsidiaries, Regulations of representative and other regulations obligated by the Corporation and the current Laws.

Additionally, the decentralization policies and reporting are strictly and clearly regulated by the Corporation which helps the subsidiaries actively make decisions in their production activities as well as implement a complete, accurate and timely reporting system.

The other subsidiaries, joint ventures partners and affiliates

Depending on the contributed capital ratio, the Corporation has separate governance mechanisms based on the mechanism for the state capital representative, Charter

of the Corporation, Financial management regulations, internal management guidance and the laws of Vietnam and other related countries.

Functions of corporate governance allocated to Board of Management, especially in subsidiaries, are specifically regulated under the instructions of Management Regulations, the Charter and the Regulations, as well as other provisions of the Corporation. Functions of corporate governance allocated to Board of Management, are specifically are defined as follows:

Rights and obligations of Board of Management

Rights and obligations of CEO

Rights and obligations of the state capital representative

Besides the rights and obligations of senior executive as mentioned above, in order to strengthen the efficiency of corporation governance applied for subsidiaries, the Corporation has developed a budgeting and management reporting system to allocate and manage objectives, financial planning and KPIs thoroughly from the Corporation to the subsidiaries; ensure to be instructed by Financial management regulation and other regulations of the Corporation.

Moreover, building corporate governance on vertical management orientation (top-down management) from the Corporation to its subsidiaries based on core activities and supporting functions such as: Drilling activities; Finance - Accounting; Safety and Quality; Commerce and Investment; HR and Training, etc. has been successfully applied by senior executives throughout the development of the Corporation.

Operational coordination mechanisms between the Corporation and its subsidiaries

Each subsidiary of the Corporation provides a special service in a range of main business cores including drilling rigs and drilling related services, the coordination between the Corporation and its subsidiaries ensure the quality of services providing to customer and generate a competitive advantage for Corporation comparing to other contractors.

Furthermore, the Corporation has oriented and coordinated activities on the principles of equality, agreement among the subsidiaries, and taking advantage of internal sources to optimize the resources of the Corporation and the subsidiaries.



History and Milestones (2001 - 2018)

Petrovietnam Drilling and Well Services Company (PV Drilling) was established on the foundation of PTSC Offshore. PV Drilling completed the set-up of its first 3 direct subsidiaries: Drilling Division, Well Services Division, and NASOS.



PV Drilling kick-started the strategic planning for developing "a Drilling Contractor of Vietnam" with the consultation of PricewaterhouseCoopers (PwC).



PV Drilling completed the set-up and implementation of the quality management system (QMS) ISO 9001:2000 on 21/01/2003 with the certification by DNV. The integration of such QMS ensured the quality commitment as well as the compliance of PV Drilling with the international standards and procedures.



PVD Logging was established to diversify PV Drilling's scope of services, particularly those with high content of advanced technology.



PV Drilling signed the contract of building its very jack-up drilling rig, simultaneously transferred to a joint-stock company and started to approach available investment channels on the financial market in order to gather resources for its business development.



PV Drilling's stock symbol "PVD" was officially listed on Vietnam Stock Market. PV Drilling established PVD Trading And Technical Services Company (PVD Tech) and BJ-PV Drilling Joint-Venture.



PV Drilling proudly inaugurated the first offshore Jack-up Rig PV DRILLING I with 100% ownership and the land rig PV DRILLING 11; Other subsidiaries were established including PVD Drilling Division, PVD Well Services, PVD Offshore and PVD Training.



PV Drilling completed an important M&A project to merge with Petrovietnam Drilling and Investment Joint Stock Company (PVD Invest), increasing the whole corporate asset value above VND 12,000 billion and the charter capital of VND 2,105 billion; PV Drilling established the joint ventures PVD Expro and PVD Tubulars Management, reinforcing the strategy of cooperation with foreign partners to strengthen its competitiveness and develop its scope of services.



PV Drilling received and launched two (2) other offshore Jack-up rigs PV DRILLING II and PV DRILLING III.



PV Drilling reinforced its leading position as a drilling contractor via successfully operating two jack-up rigs and one land rig; PVD Baker Hughes, PVD Invest and PVD Deepwater were established.



PV Drilling completed the procedures to purchase 51% shares at Vietubes Joint-Venture - the sole high-tech tubular threading factory in Vietnam.



PV Drilling proudly received simultaneously the title of "The Most Admired ASEAN Enterprise" in GROWTH - LARGE COMPANY Category awarded by ASEAN Business Award Committee in Brunei, and the "The Best Oil & Gas Drilling Contractor in Asia 2013" by World Finance in London.



PV Drilling completed the construction project of PV DRILLING VI - a modern jack-up rig of the latest generation with multiple prominent and advanced features.



In 2018, PV Drilling strongly expanded its services to overseas markets, with the most remarkable achievements is that 4 out of 6 drilling rigs operated overseas including rig PV DRILLING I operated in Thailand for Kris Energy, rig PV DRILLING III worked for the drilling campaign of Repsol at Bunga Kewa - BKC WHP - PIM3 CAA, Malaysia, rig PV DRILLING VI was supplied for IPC at Bertam, Malaysia and land rig PV DRILLING 11 operated for Cepsa BMS at Algeria.



Converted its representative office in Malaysia to branch; establish a new branch in Thailand, all of which help PV Drilling get more opportunities to approach and supply drilling and drilling-related services at these regional potential markets.



PV Drilling started off the operation of its Myanmar Branch Office - PVD Myanmar. In the same year, PV Drilling also achieved a major success in its overseas expansion strategy via winning the contract for a drilling campaign of Total Myanmar.



This year marked PV Drilling's best business performance in the last 5 years with the total asset value exceeding 1 billion USD, remarkable revenue of 20,884 billion VND (equivalent to 1 billion USD) and a profit after tax of 2,419 billion VND - respectively increasing 40% and 28% over year 2013.



PV Drilling completed the construction project of the Semisubmersible Tender Assist Drilling (TAD) Rig - PV DRILLING V and mobilized to Vietnam for the drilling campaign of at Hai Thach - Moc Tinh Oilfield.

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

Awards & Accolades 2018

Zero LTI (Zero Lost Time Incident) is considered the top award that PV Drilling has achieved annually for its rig fleet. Zero LTI is also the essential element for customers to take into consideration when choosing the best drilling contractors for their campaigns. PV Drilling is extremely proud of its rig fleet for this award:

PV DILLING

I

The jack-up rig PV DRILLING I achieved 12 consecutive years with "Zero LTI" on March 10th, 2019;



PV DILLING

II

The jack-up rig PV DRILLING II achieved 9 consecutive with "Zero LTI" on September 15th, 2018



PV DILLING

III

The jack-up rig PV DRILLING III achieved 9 consecutive with "Zero LTI" on November 12th, 2018;



PV DILLING

V

The TAD - PV DRILLING V rig achieved 6 consecutive with "Zero LTI" on December 3rd, 2018;



PV DILLING

VI

The jack-up rig PV DRILLING VI achieved 4 consecutive with "Zero LTI" on February 28th, 2019;



PV DILLING

11

The land rig PV DRILLING 11 achieved 2 consecutive with "Zero LTI" on July 1st, 2018.



PV DRILLING III jack-up rig was awarded the best drilling rig on the 1st Quarter of 2018 in Malaysia. Simultaneously, this rig was awarded a Plaque of Appreciation by Petronas for its safe and efficient operation, contributing to promote the Bunga Pakma into exploration one month 19 days earlier than its plan.

After completing the drilling campaign for Rosneft Vietnam, PV DRILLING VI jack-up rig was also awarded a Plaque of Appreciation for its safe and efficient operation, which contributed to the overall success of Rosneft Vietnam in 2018.



INFLAME THE PASSION

With a modern drilling fleet and highly educated, experienced, and enthusiastic professional management and staffs being its valuable resources which support PV Drilling to overcome challenges and build up foundation for its sustainable development



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ANNUAL REPORT
2018

Introduction of the Board of Directors
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Introduction of the Supervisory Board
Report of the Supervisory Board
Introduction of the Board of Management
Introduction Of Chief Accountant & Finance Manager

Report of Board of Management
The Improvement of Management Policy and Responsibilities for Environment Protection in 2018
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Introduction of the Board of Directors



“
PV Drilling's Board of Directors consist of 7 members, 3 of whom are PVN's representatives at PV Drilling taking the positions of Chairman, Vice Chairman, President & CEO cum BOD member, the other 4 including 3 independent members taking charge of various appropriate expertise.



1 - Dr. DO VAN KHANH
Title: Chairman, PV Drilling's Board of Directors

2 - Mr. DO DUC CHIEN
Title: Vice Chairman, PV Drilling's Board of Directors

3 - Mr. PHAM TIEN DUNG
Title: Member of the Board of Directors, President & CEO of PV Drilling

4 - Mr. LE VAN BE
Title: Independent Member, PV Drilling's Board of Directors

5 - Ms. NGUYEN THI THUY
Title: Non-executive member, PV Drilling's Board of Directors

6 - Mr. VAN DUC TONG
Title: Independent member, PV Drilling's Board of Directors

7 - Mr. DAO VAN MINH
Title: Independent member, PV Drilling's Board of Directors

Introduction of the Board of Directors (continued)

1 - Dr. DO VAN KHANH

Title: Chairman, PV Drilling's Board of Directors

Date of birth: 1961

Date of appointment: 1/12/2015

Education:

- Bachelor of Science, Drilling Engineering
- PhD of Petroleum Geology

Experience: 35 years of experience in petroleum drilling industry

Field of charge: Responsible for General Direction, Strategy and Business Innovation of the Corporation

EMPLOYMENT HISTORY

12/2015 – 31/12/2018	Chairman, PV Drilling's Board of Directors
02/2012 – 11/2015	Member of Board of Directors, President & CEO of Petrovietnam Exploration Production Corporation (PVEP);
8/2010 – 02/2012	Chairman of Board of Directors, PVEP;
2001 – 8/2010	President & CEO of PV Drilling;
1994 – 2001	Director of PTSC Offshore - a division of Petrovietnam Technical Services Company (the former formation of PV Drilling), a subsidiary of Petrovietnam;
1992 – 1994	Deputy Director of Odfjell Vietnam Company - a joint-venture company between Petrovietnam and Odfjell Norway;
1984 – 1992	Drilling engineer in Thai Binh Oil & Gas Company, Drilling engineer in Petrovietnam II, and Chief Representative of Petrovietnam in Danang.

As per his personal wish, Dr. Do Van Khanh has sent his Resignation Letter, which has been approved by PVN and PV Drilling's Board of Directors; accordingly, Dr. Do Van Khanh officially resigned from the position of Chairman cum member of PV Drilling's Board of Directors effective from December 31st, 2018.

2 - Mr. DO DUC CHIEN

Title: Vice Chairman, PV Drilling's Board of Directors

Date of birth: 1963

Date of appointment: 1/12/2015

Education:

- Bachelor of Law
- Bachelor of Politics

Experience: 20 years of experience in the oil and gas industry.

Field of charge: Responsible for commerce, planning and internal regulations and policies for the staff.

EMPLOYMENT HISTORY

12/2015 - present	Vice Chairman of PV Drilling;
04/2010 – 11/2015	Chairman of PV Drilling;
2009 – 2010	Chairman of Petrosetco;
2007 – 2009	Chairman of Petroland;
2007	Deputy Director, Southern Construction Projects Management Committee, Petrovietnam;
1999 – 2006	Corporate Office Manager, Standing Deputy Secretary, Party Committee Secretary of Petroleum Sector in Ho Chi Minh City;
1988 – 1999	Administration Manager, Material Procurement Manager, Transportation Investment and Development Company;
1983 – 1987	Worked at Guard Division, Ministry of Police.

3 - Mr. PHAM TIEN DUNG

Title: Member of the Board of Directors, President & CEO of PV Drilling

Date of birth: 1967

Date of appointment: 5/8/2010

Education:

- Bachelor of Science (Mechanical Engineering)
- Bachelor of Art (English)

Experience: 27 years of experience in the oil and gas industry.

Field of charge: Generally direct and manage the sustainable business growth, policies and business operation.

EMPLOYMENT HISTORY

8/2010 - present	BOD member cum President & CEO, PV Drilling;
2009 – 8/2010	Vice President & COO, PV Drilling;
2005 – 2009	Vice President of PV Drilling, Director of PVD Drilling Division;
2001 – 2005	Director of Drilling Services Enterprise, PV Drilling;
1997 – 2001	Manager of PTSC Offshore Services Center;
1992 – 1997	Worked in different multinational corporations in Singapore, Australia, and Thailand...
Concurrent positions: Chairman of PVD Overseas, Vice Chairman of PVD Baker Hughes.	

Introduction of the Board of Directors (continued)

4 - Mr. LE VAN BE

Title: Independent Member, PV Drilling's Board of Directors

Date of birth: 1947

Date of appointment: 7/4/2010

Education:

– Bachelor of Economics (University of Finance and Accounting)

Experience: 49 years of experience in the field of finance and accounting

Field of charge: Responsible for financial and accounting supervision

5 - Mrs. NGUYEN THI THUY

Title: Non-executive member, PV Drilling's Board of Directors

Date of birth: 1968

Date of appointment: 24/8/2017

Education:

– Bachelor of Economics (Finance and Accounting)
– Master of International Business Administration

Experience: 30 years of experience in the field of finance and accounting.

Field of charge: Provides independent assessment of accounting, finance and audit of the Corporation.

6 - Mr. VAN DUC TONG

Title: Independent member, PV Drilling's Board of Directors

Date of birth: 1953

Date of appointment: 27/4/2018

Education:

– PhD of Petroleum Machine & Equipment at Petroleum University of Rumania

Experience: 38 years of experience in the oil and gas industry.

Field of charge: Manage and develop the field of scientific and technological research, HSEQ and rig operation of the Corporation.

7 - Mr. DAO VAN MINH

Title: Independent member, PV Drilling's Board of Directors

Date of birth: 1963

Date of appointment: 27/4/2018

Education:

– Bachelor of Machinery and Mining Engineering;
– Bachelor of Economics;

Experience: 9 years of experience in the oil and gas industry.

Field of charge: Provide an independent assessment of PV Drilling's investment; assist the Corporation to work with PVN and other governmental departments in the North of Vietnam.

EMPLOYMENT HISTORY

2010 – Present	Independent member, PV Drilling's Board of Directors;
1/2010 – 4/2014	First Vice Chairman, Military Bank;
1995 – 2009	General Director, Military Bank
3/1993 – 1995	Directly in charge of the Military Bank establishment project, Chief of Advisory Committee of Military Bank's Board of Management;
1990 – 1995	Deputy General Manager of Finance General Division, in charge of bank accounting
1975 - 1989	Assistant at Financial Department, Technology General Division
1970 – 1974	Assistant at Financial Department, Logistics General Division

EMPLOYMENT HISTORY

8/2017 – Present	Non - executive Member, PV Drilling's Board of Directors; Chief Accountant, NASOS;
2008 – 8/2017	Chief of Supervisory Board, PV Drilling, Chief Accountant, NASOS;
2007 – 2008	Chief Accountant, NASOS, Member of Supervisory Board, PVD Invest;
2003 – 2007	Chief Accountant of Drilling Division, PV Drilling Accountant in Drilling Division, PV Drilling;
2002 – 2003	Accountant in Drilling Division, PV Drilling;
1989 – 2001	Accountant at Trading, Construction & Investment Co., Ba Ria-Vung Tau.

EMPLOYMENT HISTORY

04/2018 – Present	Independent member, PV Drilling's Board of Directors;
11/2014 – 04/2018	Retired;
08/2007 – 10/2014	Vice President of PV Drilling cum Chairman of PVD Offshore;
01/2006 – 07/2007	Vice President of PV Drilling;
11/2002 – 12/2005	Deputy Director of PV Drilling;
01/2001 – 10/2002	Manager of Engineering, Energy, Automation Division, Vietsovpetro;
01/1994 – 12/2000	Chief Engineer of Offshore Drilling Division, Vietsovpetro;
01/1991 – 12/1993	Deputy Engineer Manager of Offshore Division, Vietsovpetro;
11/1988 – 12/1990	Deputy rig manager (in charge Engineering & Electricity), Rig No.3, Vietsovpetro;
11/1984 – 10/1988	Engineer Manager of Rig No.3, Vietsovpetro;
11/1983 – 10/1984	Staff at Training Center, Vietsovpetro;
06/1981 – 10/1983	Electrical Engineer, Thai Binh Oil & Gas Company.

EMPLOYMENT HISTORY

04/2018 – Present	Independent member, PV Drilling's Board of Directors;
05/2011 – 04/2018	Deputy Director, Development and Investment Division, PVN;
04/2010 – 04/2011	Manager of Russia & SNG Department, Overseas Contract Management Division, PVN;
07/2005 – 03/2010	Director of Marketing and Project Development Division, Assistant to CEO Lilama, BOD member of International Consultant LHP JSC and Lilama Land JSC, Chairman of Deport and Transportation Lilama JSC., Lilama;
07/2002 – 06/2005	Deputy Director of Marketing & Production Development Division cum Assistant to CEO Lilama;
05/2001 – 06/2002	General Director of Import and Export Company, Lilama;
07/2000 – 04/2001	Staff of Commercial and Service Company, VCCI;
04/1999 – 06/2000	General Director of Cooperation Training and Young International Labor Center, Vietnam Youth Export- Import Production Company, Ho Chi Minh Communist Youth Union;
04/1996 – 03/1999	Executive, Commercial Division, PVN;
07/1990 – 10/1994	Executive, Oil and Gas Export-Import Company, Ministry of Foreign Trade;
01/1987 – 06/1990	Engineer of Technical Design, 276 Hydraulic Engineering Company.

Report of PV Drilling's Board of Directors

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7.08%

Vietnam's GDP reached 7.08%, a highest rate since 2008.

\$

Brent average crude oil price in 2018 was around

71.3
USD/BARREL

I. Evaluation of PV Drilling's business performance in 2018

1. Market overview of 2018:

In 2018 the world witnessed an unstable economic recovery as a result of natural disasters, USA - China trade war impact, uncertainties within Europe causing by withdrawal of the United Kingdom (UK) from the European Union (EU) (Brexit), the political-economic crisis in Italy, instable state in France or disagreement over asylum issues throughout Europe ... The world economic growth in 2018 was about 3.7%, equal to that of 2017, the highest level since the global financial crisis within 2007-2009.

Within ASEAN, Vietnam was not negatively affected; in the contrast, we could get some benefit from global supply chain shift after the US-China trade war started. 2018 is also the third consecutive year when the domestic economy continues to prosper with Vietnam's GDP about 7.08%, the highest increase since 2008 (GSO data) while inflation rate maintained at a low level, below 4%. Vietnam economic prospects continue to be forecasted positively in the coming years when the PMI index has reached a very high level in recent months, leading the ASEAN countries.

Along with the flourishing economy, in 2018 Vietnam Oil and Gas Group (PVN) has surpassed all important indicators such as oil and gas production, electricity - fertilizer production, petrol, revenue, profit and state budget contribution as well. The average Brent crude oil price in 2018 reached 71.3 USD / barrel, an increase of 17 USD / barrel (31.4%) compared to the average price of 2017. Most development and exploration projects exceeded break-even point, showing good signs to implement immediately. Cash flow is also positive to invest in the field of exploration and evaluation. The prosperous international oil and gas industry will be strong motivation for foreign oil companies to be more decisive in investment in Vietnam market.

However, the domestic oil and gas industry still faced many difficulties and challenges including lack of investment capital, which may linger exploration activities.

Affected by current market difficulties, PV Drilling had to face many challenges in terms of workload and low day rate in 2018; the TAD - PV DRILLING V rig continued to be out of work, leading to unable to restructure its debt; new development and exploration projects were hardly implemented, drilling programs were few and mostly short-term; day rate continued to remain low (fluctuating about 55,000 - 65,000 USD / day). The collection of bad debts didn't get good result, which badly affected on PV Drilling business performance.

2. Evaluation of PV Drilling's business operation in 2018

In order to overcome all the challenges of the current market, PV Drilling's Board of Directors (BOD) and Board of Management (BOM) have made best efforts and determinations to find out solutions and directions to perform the following key tasks:

2.1 Response to market instability:

- Regarding PV Drilling's long-term strategy to overcome obstacles and greatly boost when the market recovers: reviewing the medium-term / long-term strategy in line with current situation, thus giving specific annual targets to perform; defining service segments to make the restructuring effectively and substantially; classifying and reevaluating service types of subsidiaries for further development and investment;
- Regarding business operation activities: assessing, forecasting and summing up the difficulties and challenges of the Corporation and its subsidiaries in accordance with drilling market instability to give practical and effective solutions; PV Drilling's Management team has assigned individual responsibilities and assessed accomplishment level upon set criteria, the commitment to completion, the enforcement of sanctions or replacement in case of duty incompleteness;



PV Drilling's Board of Directors in 2018 consist of 7 members with competent management expertise, thorough knowledge, extensive expertise, wide experience, ensuring an equivalent proportion of the oil and gas, finance and law field as well as a reasonable balance between executive and non-executive members.

- Regarding service development: enhancing job opportunities both domestically and regionally; improving competitiveness, ensuring rig utilization and other related services of PV Drilling;
- Regarding cost management: promoting management and cost monitoring throughout PV Drilling, directing effective solutions to ensure rig operation, cutting costs in line with the low day rate to maintain PV Drilling's business operation activities, reviewing operating costs, replacing foreign expats, optimizing current labor force; strict control / reduction of regular costs through estimation work before implementing; minimizing expenditures exceeding the approved plan to ensure the target of revenue and profit plan in the current difficult period as well as fulfilling the plan registered with the AGM as without losses in 2018 .

2.2 Restructuring activities

PV Drilling is implementing the overall restructuring plan for period of 2018 - 2020, focusing on consolidating the management system, restructuring subsidiaries on the basis of PV Drilling's core services in order to minimize costs, improve business operation activities, specifically as follows:

Restructuring PV Drilling's head office:

- Merging Project Management Division to Commercial - Investment Division, adding its functions and duties to Commercial - Investment Division;
- Renaming the Business Development and Operations Support Division to Business Development Division with its new functions and duties on PV Drilling's business development.

Restructuring PV Drilling's subsidiaries

- PV Drilling is considering the appropriate restructuring plan for its subsidiaries to be implemented.

2.3 Business management activities:

PV Drilling's Management team has been active and effective, especially on expanding services abroad, offering solutions to improve business

efficiency, from which PV Drilling has timely response measures in this slump market.

Most of PV Drilling's subsidiaries have been active and achieved positively business performance in 2018, except for those who managed and operated the rig fleet such as PVD Drilling Division, PVD Overseas and PVD Deepwater. They still faced many difficulties when day rate continued to remain low; moreover, the TAD - PV DRILLING V still remained underworking for a long time...

2.4 Expanding services abroad:

Despite the current difficult situation, in 2018, PV Drilling continued to provide services abroad and affirmed its reputation in regional markets; especially PV Drilling had 4 out of 6 rigs serving for overseas projects.

In addition, many subsidiaries successfully provided services to overseas markets such as PVD Offshore with manpower service, PVD Tech with maintenance and repair service, PVD Training with training activities, all of which were serving at major markets such as Japan, Myanmar, and Australia.

Especially, the year of 2018 marked significant development of expanding drilling services to foreign countries. PVD Well Services took part in many biddings of Casing and Tubing Running Service for regional countries, such as Kris Energy in Cambodia, TOTAL in Iran, PTTEP in Myanmar, REPSOL in Malaysia and PGPC/Tesco in Philippines; maintained Tools Rental contracts in Thailand, Malaysia and UAE markets through Baker Hughes, Destini and OWS partners. The most outstanding achievement was the successful negotiation with Destini in providing Casing and Tubing Running Tools Rental service in Pakistan from January 2019 and supplying OWS with Casing and Tubing Running Manpower in Saudi Arabia from December 2018.

2.5 Investment activities:

The BOD has directed to stop / delay all investment projects, except for those which were necessary, urgent or bringing immediate

Report of PV Drilling's Board of Directors (continued)



85%

The utilization rate of the jack up considerably improved to 85% in 2018 compared to 74% in 2017.



3.4 RIGS

Average number of operating rigs in 2018 was about 3.4 rigs in comparison with 2.9 rigs of the same period in 2017.

effect to PV Drilling's business operation. In 2018, PV Drilling continued to conduct the transitional investment projects such as ERP Phase 3, enhancing the Corporate Risk Management System and Maximo.

2.6. Investor relationship:

The BOD directed to well implement the investor relationship with shareholders and investors. In 2018, PV Drilling successfully organized the annual General Meeting of Shareholders.

Information disclosure at PV Drilling is implemented promptly, fully and in accordance with regulations of the State Securities Commission of Vietnam.

2.7 Corporate social responsibility:

Along with the effort to maintain business operation activities in 2018, PV Drilling's BOD always paid attention to the implementation of corporate social responsible activities, environmental protection with the goal of comprehensive development and dedication to the community.

3. 2018's achievements

3.1 The rig fleet:

- The average number of operating rigs in 2018 was about 3.4 rigs as compared to 2.9 rigs at the same period in 2017, the land rig operated about 251 days in contrast with 147 days in 2017.

- All the rig fleet was operated safely and efficiently;

- The utilization rate of jack - up considerably improved to 85% in 2018 as compared to 74% in 2017. Day rate was the same as last year;

- Management and operation activities continued to maintain a high level in the context of replacing many leaderships on the drilling rigs from foreign expats to Vietnamese and lower income;

- Expansion services to overseas markets was intensively implemented; in the meanwhile, confirming PV Drilling brand and reputation in the regional markets.

3.2 Other related services:

PV Drilling's subsidiaries had good business performance even in the context of oil slump; most of them got profit, especially PVD Logging, PVD Well, PVD Tech, PVD Offshore, and PVD Baker Hughes which had very impressive business results

Revenue of well technical services, manpower increased due to customers' high demand, revenues of other services such as provision of large pipes, iron and steel supply or wellhead equipment also increased...

3.3 Collecting bad debts:

Bad debt collection was promoted and achieved positive results. In 2018, PV Drilling reduced the bad debt amount from VND 649 billion to VND 290 billion at the year-end.

3.4 PV Drilling's business results:

Compared to the revenue plan of VND 3,000 billion and no loss which was approved by the Annual General Meeting of Shareholders, PV Drilling has exceeded the set targets, specifically:



In 2018, PV Drilling continued to expand its services to overseas markets and boost its prestige in the regional oil and gas market. In 2018, PV Drilling provided 4 out of 6 rigs operating abroad.

No.	Indicator	Unit	Plan 2018	Actual 2018	%Actual / Plan
1	Revenue	VND Bil	3,000	5,500	183%
2	Profit before tax	VND Bil.	-	233	-
3	Profit after tax	VND Bil.	-	198	-
4	State Budget Contribution	VND Bil.	310	692	223%

4. Disadvantages

The rig fleet:

- Domestic drilling programs were few, mostly short-term;
- Day rate sharply reduced even below the break - even point due to large depreciation expenses;
- The PV DRILLING V rig underworked, leading to unable to restructure its debt and the project participants refused to contribute more capital to do rig maintenance while it was out of work.

Drilling services:

Expanding services to overseas was difficult due to fierce competition of multinational and domestic companies; barriers to trade, tariff and cultural protection of the host countries;

Bad debt collection: Mother company and subsidiaries still faced many difficulties in collecting bad debts, so PV Drilling had to make a lot of financial provisions, which badly affected its business results;

The labor workforce:

Competing in such context with low income badly affected workers' motivation, increasing flow of resignation, preventing the Corporation from talent retention, maintaining the enthusiasm and confidence of the workforce.

II. BOD OPERATION, REMUNERATION AND EXPENSE IN 2018

1. BOD Organizational chart:

- PV Drilling's Board of Directors (BOD) consists of 7 members, 3 of whom are capital representatives of Vietnam Oil and Gas Group (PVN) at PV Drilling taking the positions of Chairman, Vice - chairman, BOD Member cum President & CEO, 04 other

members taking care of various specialized fields including 3 independent ones.

- The Board of Directors always works in compliance with all legal policies, regulations of the Board of Directors, the Charter of PV Drilling, and Enterprises Law to ensure the fairness, transparency and legality.

- Each members of the BOD was responsible for a specific field to review all resolutions, decisions under the authority of the BOD, simultaneously to monitor and give directions to the Corporation to implement BOD's resolutions and decisions as per each assigned field.

- According to the assigned field, the BOD actively implemented its role and duties and identified the directions to set out positive measures and solutions in PV Drilling's strategic planning especially in the context that PV Drilling had to face few workload and extremely low day rate.

- 2018, the Board of Directors changed its members according to the recommendation of PVN shareholder and PV Drilling's BOD. This change was approved by the Annual General Meeting of Shareholders. Accordingly, Mr. Van Duc Tong and Mr. Dao Van Minh were elected as independent members on replacement of Mrs. Pham Thi An Binh and Mrs. Ho Ngoc Yen Phuong, effective from April 27, 2018.

2. BOD's meetings in 2018:

In 2018, PV Drilling's Board of Directors maintained regular meetings once every quarter to discuss, exchange, unify and offer timely decisions for the Corporation's business operation suitable for each period. All of the meetings were organized in accordance with PV Drilling's Charter as well as the Law on Enterprise. BOD members have taken the face - to face meetings seriously as follows:

Report of PV Drilling's Board of Directors (continued)



PV Drilling is always complied with Article 12, Decree No. 71/2017/ND-CP dated June 6th, 2017 guiding on corporate governance of public entities; accordingly, all PV Drilling's BOD members are not concurrently taking the role of BOD member at 5 other publicly listed companies. This practice will help PV Drilling BOD members to devote their valuable time and intellects to work out effective solutions in planning its corporate development strategy.

No.	Member	Title	No of meeting attendance	Rate (%)	Note
1	Dr. Do Van Khanh	Chairman	3/4	75	Resigned from 31 December, 2018
2	Mr. Do Duc Chien	Vice Chairman	4/4	100	
3	Mr. Pham Tien Dung	BOD member cum President & CEO	4/4	100	
4	Mrs. Nguyen Thi Thuy	Non-executive member	4/4	100	
5	Mr. Van Duc Tong	Independent member	3/4	75	Appointed from 27 April 2018
6	Mr. Le Van Be	Independent member	2/2	50	On business trip
7	Mr. Dao Van Minh	Independent member	3/4	75	Appointed from 27 April 2018

Beside the quarterly meetings, the BOD also collected opinions from all members to settle important issues in the form of written documents regarding to investment decisions, human resources development, organizational structures, key position appointment, modification and issuance of management internal regulations and internal policies, etc.

3. The BOD and BOD member operation results in 2018

Based on their assigned works, BOD members actively planned their working schedule, periodically monitoring BOM's implementation resolutions and decisions of the BOD. In addition, the members always actively discussed and exchanged ideas to timely provide the orientations and guidance for corporate business operation, details are as follows:



In 2018, PV Drilling's Board of Directors approved and issued the total of 21 Resolutions / Decisions to direct PV Drilling's business operation. All of the above resolutions and decisions have been made based on all members' agreement for the sake of shareholders' best interest and the sustainable growth of PV Drilling.

No.	Member	Title	Field of Assignment
1	Dr. Do Van Khanh	Chairman	Responsible for the general direction, in charge of strategy, business renovation of PV Drilling.
2	Mr. Do Duc Chien	Vice Chairman	Responsible for commercial, planning and employee policies of PV Drilling.
3	Mr. Pham Tien Dung	BOD member cum President & CEO	Directly operates all corporate business activities, in charge of, sustainable development and legislation of PV Drilling.
4	Mrs. Nguyen Thi Thuy	Non-executive member	Provides independent Assessment of Accounting, Financing and Auditing field of PV Drilling.
5	Mr. Van Duc Tong	Independent member	Monitor the field of scientific and technological research, HSEQ and rig technical issues of PV Drilling.
6	Mr. Le Van Be	Independent member	Responsible for Accounting and Financing of PV Drilling.
7	Mr. Dao Van Minh	Independent member	Provides independent assessment of investment efficiency, insisting PV Drilling in connection with PVN and other governmental departments / ministries in the North.

BOD independent members have well promoted their roles in inspection and supervision of PV Drilling's business operation activities in accordance with its Charter and Enterprise Law; in addition, they strictly and actively performed their functions, duties for the sake of owners and shareholders' interest.

In 2018, the BOD has also approved and issued 21 Resolutions /Decisions to direct PV Drilling's business operation. All above-mentioned resolutions and decisions were made based on all members' agreement for the sake of shareholders' best interest and the sustainable development of the Corporation.

4. Remuneration, Stocks owned and Operation expenses of the BOD in 2018:

4.1. Remuneration and stock owned of the Board of Directors in 2018:

- For non-specialized members: the remuneration exclusive personal income tax was VND 7 million /person/month.
- For full-time and concurrent members at PV Drilling: the remuneration was paid based on salary policy of PV Drilling, the State policy and/or PVN's regulations.
- All remuneration paid to the BOD (exclusive of Mr. Pham Tien Dung - BOD member cum President & CEO) in 2018 is VND 2.812 billion (Vietnam Dong Two billion eight hundred twelve million).

No.	Member	Title	Remuneration (Unit: 1.000 VND)	No of shares owned (Unit: share)
1	Dr. Do Van Khanh	Chairman	518,400	9,192
2	Mr. Do Duc Chien	Vice Chairman	518,400	414
3	Mr. Pham Tien Dung	BOD member cum President & CEO	Details are listed on the Report of the Board of Management.	
4	Mrs. Nguyen Thi Thuy	Non-executive member	1,108,722	46,344
5	Mr. Van Duc Tong	Independent member	56,000	17,134
6	Mr. Le Van Be	Independent member	84,000	7,652
7	Mr. Dao Van Minh	Independent member	498,498	261
8	Mrs. Pham Thi An Binh	Independent member (resigned from April, 2018)	28,000	
Total			2,812,020	80,997



Report of PV Drilling's Board of Directors (continued)



4.2 BOD' operation expense in 2018:

Operation expenses of the BOD in 2018: In compliance with BOD's regulations and other internal expenses regulations of PVN and/or PV Drilling.

6. Contract or Transaction with internal shareholders

In 2018, there were no transactions between PV Drilling with members of BOD, BOS, BOM and management team.

7. Execution of corporate governance policies in 2018:

PV Drilling has been abiding by all legal policies related to corporate governance of listed companies.

III. EVALUATION ON OPERATION OF PRESIDENT & CEO AND BOM MEMBERS IN 2018

Evaluation of President & CEO and BOM operation activities in 2018 as follows:

- President & CEO as well as BOM members

are professional with in-depth knowledge in their job assignments; moreover, most of them have intensive experience in managing large scale projects and enterprises;

- The President & CEO as well as BOM members had a good performance on all assigned duties of the Corporation operation and always completely fulfilled all assignments of the Board of Directors;
- The President & CEO as well as BOM members operated Corporation's business operation activities in accordance with the Resolutions of the Annual General Meeting of Shareholders, BOD Resolutions, PV Drilling's Charter and other applicable laws;
- PV Drilling has adopted the advanced corporate governance system to ensure the safe and effective business operation;
- The Board of Management has been well aware of both advantages and disadvantages in 2018 and the coming years; hence, they were proactive to implement business operation activities. Meanwhile, the BOM has issued internal regulations under their authority related to cost reduction, utilization and sharing available internal resources in

order to deliver highest possible efficiency for PV Drilling's business operation activities of the Corporation;

- In 2018, the BOM actively promoted services to overseas and gained potential achievements; in addition, the executive and middle-management have successfully performed their roles and responsibility in risk management.
- All remuneration paid to the BOM in 2018 is VND 6.966 billion (Vietnam Dong Six billion nine hundred sixty - six million).

IV. BOD IMPLEMENTATION PLAN IN 2019

2019 will still be an unpredictable year for the oil and gas industry in general and PV Drilling in particular. According to forecasts of the Energy Information Administration (EIA), JP Morgan and Thomson Reuters, average Brent crude oil price in 2019 is forecasted to be higher than that of 2018 (averaging around 61-70 USD/barrel, an increase of nearly 1/3 compared to the current price).

Although the international oil and gas industry in 2019 is difficult to be predicted due to a large number of factors that may cause oil prices to remain low in 2019, such as: low demand and disagreement of OPEC members... However, domestic oil and gas activities are forecasted to get benefit from new projects which will be implemented when existing ones are consumed up to ensure the input of gas - electricity and fertilizer production in Vietnam; hence, the oil and gas industry will get more benefits from steady workload from large projects, such as: Block B, Nam Con Son 2 Phase 2, Su Tu Trang Phase 2 in the coming years.

The regional oil and gas market has become more active with increasing demand for jack-up rigs. It's not low day rate but rig quality with safety, efficiency operation are the essential factors to be considered when appointing drilling contractors.

1. BOD Solutions for 2019

With positive results from implementing management orientations and solutions in 2018, based on 2019 market forecasts, the BOD and BOM will continue to work harder in 2019 in order to maintain PV Drilling's business operation to get through

this current difficult period and heading for sustainable growth. The specific solutions are as follows:

- **Regarding corporate restructuring:** strongly deploying Corporate restructuring as planned to reduce costs in line with low service prices, enhancing business performance and competitiveness during this challenging period.
- **Regarding business operation activities:** To ensure rig efficiency by optimizing operation process, remaining good maintenance of drilling rigs, applying IT in rig operation and management, promptly meeting all production requirements; strengthening risk management, ensuring rig fleet and machinery operation safely and effectively.
- **Regarding cost management:**
 - Continue to reduce costs in line with low day rate in order to match with market situation;
 - Continue to reduce costs related to business operation by renegotiating with suppliers to reduce input costs, inventories, replacing foreign expats with Vietnamese...
 - Managing, controlling and planning capital in the utmost way, implementing effective cash flow management and continuing to collect bad debts; improving financial control through PV Drilling's internal control system.
- **Regarding corporate governance:**
 - Reviewing, amending and supplementing internal regulations to meet the requirements of PV Drilling's business operation and applicable laws;
 - Strengthening inspection and supervision in the implementation of Resolutions / Decisions of the Annual General Meeting of Shareholders/ BOD; resolutions of the President and CEO, resolutions of its subsidiaries in accordance with applicable laws;

Report of PV Drilling's Board of Directors (continued)

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Revenue 2019

3,850
VND BILLION

2. Business targets in 2019

Although workload and day rate have not been fully recovered but PV Drilling's management team will continue to exert their best effort in managing the Corporation business operation activities, actively seeking new jobs, enhancing to collect bad debts and strongly implementing cost reduction solutions, budget control with the target for 2019 of VND 3,850 billion (Vietnam Dong Three thousand eight hundred fifty million) and No loss.

V. PV DRILLING'S ORIENTATION STRATEGY

Beside the specific solutions for PV Drilling's business operation activities in 2019, the BOD has given the below orientation strategy to ensure its sustainable growth for the years to come. Details are as follows:

1. Expanding services to overseas markets, specifically for drilling and drilling related services of the Corporation:

In Vietnam only a few short-term projects are planned to be implemented in 2019 and 2020 while regional markets, such as: Malaysia, Thailand, Indonesia... seem to have brighter signals; therefore, PV Drilling's management team decided to expand both drilling and drilling related services to overseas. Up to present, this strategy has gained some encouraging results while all 4 jack up rigs have won contracts to operate overseas in 2019. By promoting this strategy, PV Drilling's brand "The best drilling contractor in Asia" will be more popular in the region. Therefore, expanding services to overseas is among PV Drilling's key strategies for the following periods.

Besides expanding services to overseas, PV Drilling decides to maintain domestic market share by discussing with partners in order to lease drilling rigs providing for large potential projects, such as: Ca Voi Xanh, O Mon B Phase, Ca Rong Do... if required.

Prepare all necessary resources such as personnel training/ recruiting, materials and equipment to ensure for both owned and leased rig operation.

2. Seeking job for the TAD – PV DRILLING V rig:

- Continue to work with PVN / PVEP on solutions to convert the TAD into exploration platform for Dai Hung development project (the current rig is running out of operation phase)
- Actively negotiate with Bien Dong POC, Vietsovpetro, Phu Quoc POC for solutions to use TAD rig for their drilling campaigns, for well repair / cancellation projects.
- Actively seek job opportunities in overseas markets
- Actively work with rig brokers for sale of the TAD with best price.

3. Seek as many job opportunities as possible:

- Actively working with domestic oil and gas contractors, participating in bidding to seek more contracts, ensuring market share in the domestic market;
- Continuously promoting marketing, research activities to seek job opportunities at potential regional markets, such as: Thailand, Myanmar, Indonesia ... as well as other remote markets, such as: Middle East, Australia...
- Developing PV Drilling's core services, promoting new service research; high-tech transferring from abroad to improve service quality.

4. Reduce the ownership of PVN at PV Drilling:

- Propose to PVN a feasible plan to reduce PVN's ownership ratio at PV Drilling to:
- Enhance PV Drilling's authority in making decisions on business and investment activities, quickly seizing business opportunities, especially expanding services abroad.
 - Cooperate with strategic partners, expand services to new continents.

5. Find more investment solutions

- Sell / replace old rigs with new ones with outstanding features;
- Plan to lease and purchase new drilling rigs
- Cooperate with partners to increase rig fleet, rig types with the aim of market expansion.

6. Enhance corporate governance, finance management and human resources:

- Ensure service quality, rig fleet operation and other related services with safety and efficiency;
- Good management of cash flow; control and minimize operating costs; make use of internal resources
- Retain and develop the workforce;

7. Enhance bad debt collection:

Enhancing bad debt collection, trying to collect all the bad debt from PVEP in order to reduce the provision for bad debt and increase the cash flow for PV Drilling.



Introduction of the Supervisory Board



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PV Drilling's Supervisory Board (BOS) strictly complies with BOS approved operation regulation. The supervision of PV Drilling business operation was implemented as 2017 AGM's resolution.

Introduction of the Supervisory Board (Continued)

1 - Mr. VU THUY TUONG

Title: Chief of PV Drilling's Supervisory Board

Date of birth: 1977

Date of appointment: 24/8/2017

Education:

– Bachelor of Economics (Corporate Finance)

Experience: 17 years of experience in the field of finance and accounting

EMPLOYMENT HISTORY

10/2017 - Present Chief of Supervisory Board, PV Drilling;
 01/2017 – 08/2017 Deputy Manager of Finance Division, PVN;
 02/2016 – 12/2016 Deputy Manager, Finance Accounting and Auditing Division, PVN;
 06/2015 – 01/2016 Chief Accountant - Manager of Finance Accounting and Auditing Department, PVCFC;
 09/2013 – 05/2015 Deputy Manager of Floating Vehicles Construction Department, PV Trans;
 06/2009 – 09/2013 Chief Accountant – Manager of Finance Accounting and Auditing Department, EIC Corporation;
 11/2007 – 06/2009 Deputy Manager of General Accounting Division, PV Oil Corporation;
 04/2007 – 11/2007 General Accountant, PVFCCo;
 06/2004 – 04/2007 General Accountant, Petroleum Trading Joint Stock Company;
 2004 – 06/2004 General Accountant, Binh Tan Consumer Goods Production Company;
 2002 – 2003 Accountant, Thai Hoa Textile Co. Ltd.

2 - Mr. TRAN DUC CANH

Title: Member of PV Drilling's Supervisory Board

Date of birth: 1984

Date of appointment: 27/4/2018

Education:

– Bachelor of Accounting and Auditing

Experience: 13 years of experience in auditing field;

EMPLOYMENT HISTORY

2012 - present: Team leader of Risk management, PV Drilling;
 10/2011 – 09/2012 Team leader of Compliance, Mirae Asset Securities;
 08/2008 – 07/2011 Team leader of Auditing, KPMG Vietnam;
 08/2006 – 07/2008 Auditing executive, AASC Auditing Company, Ministry of Finance.

3 -Mrs. NGUYEN THU TRUC

Title: Member of PV Drilling's Supervisory Board

Date of birth: 1980

Date of appointment: 27/4/2018

Education:

– Bachelor of Accounting and Financing

Experience: 16 years of experience in accounting field;

EMPLOYMENT HISTORY

03/2013 - present: Management Accounting cum Deputy Manager of Accountant Department, PVD Well Services Ltd;
 07/2008 – 02/2013 General Accountant, PVD Well Services Ltd;
 09/2007 – 06/2008 Accountant, Kimberly-Clark Vietnam Ltd.
 11/2006 – 08/2007 Accountant, ILA Vietnam Ltd;
 11/2004 – 10/2006 Accountant, CDMA, Mobile phone Center;
 2003 – 10/2004 Accountant, Dong Nam Phat Ltd.

Report of the Supervisory Board

1. Information of Members of The Supervisory Board

Pursuant to Resolution No. 01/NQ-ĐHĐCĐ dated April 27, 2018, Mr. Nguyen Van Tu, Ms. Pham Bao Ngoc were approved for resignation and elected members of the Board of Supervisors (BOS) for the term of 2018-2020, specifically as follows:

Mr. **Vu Thuy Tuong** *Chief of BOS*

Mr. **Nguyen Van Tu** *resigned from the position of BOS member*

Ms. **Pham Bao Ngoc** *resigned from the position of BOS member*

Mr. **Tran Duc Canh** *BOS member*

Ms. **Nguyen Thu Trúc** *BOS member*

In 2018, rig demand in the domestic market was still low. Therefore, PV Drilling's management team decided to seek jobs at regional markets and managed to get rig provision contracts over there, which contributed to remarkably improve its business performance especially in the context of low crude oil price.

2. EVALUATION OF BOS OPERATION ACTIVITIES

In 2018, members of the BOS successfully completed the tasks of supervision in accordance with the functions and duties stipulated in PV Drilling's Charter, operation regulations of the BOS and regulations of laws, specifically:

No.	Member	Title	Field in charge
1	Vu Thuy Tuong	Chief of Supervisory Board	Conducting the role of Chief of BOS in compliance with working regulations of the Supervisory Board. Supervising the BOD and BOM in implementing PV Drilling's business operation. Inspecting and supervising the implementation of PV Drilling's Charter, regulations of law; Resolutions, Decisions, Directives and Regulations of PVN and PV Drilling. Supervising PV Drilling's business operation, the implementation of approved business plan, detecting and warning potential risks (if any). Supervising investment activities, capital usage and management. Supervising the progress of PV Drilling's restructuring plan. Ensuring the progress and report quality of the BOS.
2	Tran Duc Canh	Member	Evaluating the financial statements. Supervising the BOD and BOM in implementing PV Drilling's business operation. Inspecting and supervising the implementation of PV Drilling's Charter, regulations of law; Resolutions, Decisions, Directives and Regulations of PVN and PV Drilling. Supervising PV Drilling's business operation, the implementation of approved business plan, detecting and warning potential risks (if any). Supervising investment activities, capital usage and management; Coordinating with others in supervision of business operations, investment and procurement activities; Supervising profit distribution, salary fund finalization, inventory and cost optimization; Supervising the progress of PV Drilling's restructuring plan.
3	Nguyen Thu Truc	Member	Coordinating with others to evaluate financial statements. Supervising the implementation of the management and administration tasks of PV Drilling Corporation by Board of Directors and Board of Management. Inspecting and supervising the implementation of PV Drilling's Charter, regulations of law; Resolutions, Decisions, Directives and Regulations of PVN and PV Drilling. Supervising PV Drilling's business operation, the implementation of approved business plan, detecting and warning potential risks (if any).

2.1 Results of supervision of PV Drilling's business operation

In 2018, domestic demand for drilling rigs was not much, which led to competitive search for drilling contracts in the region. From January 1st, 2018, PV Drilling has adjusted the depreciation time of PV DRILLING II, PV DRILLING III and PV DRILLING VI rigs from 20 years to 35 years to suit the useful time of rigs, international practice as well as increasing competitiveness with foreign drilling contractors. The Board of Directors has issued a respective Resolution on changing this depreciation policy. In the difficult context of the market, PV Drilling's BOM has made great efforts in all business operation; as a result, business performance has significantly improved. Details are as follows:



Report of the Supervisory Board (continued)

(Unit: VND billion)

Indicator	Actual 2017	Plan 2018	Actual 2018	In comparison to	
				Actual 2018/ Plan 2018	Actual 2018/ Actual 2017
Revenue	3,891	3,000	5,500	183%	141%
Profit before tax	151	-	233	-	154%
Profit after tax	45	-	198	-	437%
Tax paid	530	310	692	223%	131%

2.2. Supervision activities for PV Drilling's BOD members, President & CEO and BOM members

In 2018, the BOS held 04 quarterly meetings related to the supervision of the implementation of the business operation plan and resolutions of the Annual General Meeting of Shareholders, getting approval of PV Drilling's documents such as the Report to submit to the Annual General Meeting of Shareholders, BOS supervision plan, financial statements (quarterly/annually), the implementation of the regulations, policies... and contributing ideas for PV Drilling's management activities.

Periodically, representatives of the BOS fully attend BOD meetings, BOM meetings to collect information, exchanging, discussing, raising objectives and independent comments and warning of potential risks related to PV Drilling's business operation.

In 2018, basically, the BOD operated in compliance with PV Drilling's charter. The Board of Directors held regular meetings, consulted members in written documents to make appropriate resolutions, decisions to timely support the BOM in fulfilling 2018 business plan which was approved by the Annual General Meeting of Shareholders. BOS's Resolutions/Decisions were in accordance with current regulations, meeting the requirements of PV Drilling's business management under their authority assigned by the Annual General Meeting of Shareholders.

However, in 2018, the Board of Directors has not completed share issuance to distribute 2017 profit pursuant to the Resolution of the Annual General Meeting of Shareholders approved on April 27, 2018. The BOM has been proactive, dynamic to conduct PV Drilling's business operation, especially for expanding services to overseas markets, implementing solutions to improve business performance and proposing recommendations to the BOD for issues under their authority.

No.	Member	Title	Remuneration (Unit: 1.000 dong)	Number of shares (Unit: share)
1	Mr. Vu Thuy Tuong	Chief of Supervisory Board	892,914	0
2	Mr. Tran Duc Canh	BOS Member	244,352	2,558
3	Ms. Nguyen Thu Truc	BOS Member	220,955	0
4	Mr. Nguyen Van Tu	BOS member (resigned from 27/4/2018)	12,000	
5	Ms. Pham Bao Ngoc	BOS member (resigned from 27/4/2018)	16,000	
Total			1,386,221	2,558

PV Drilling's BOM has strengthened budget control; implemented measures to optimize costs, strictly controlled the implementation of drilling and well technical contracts; proactively sought new contracts to ensure work for the rig fleet and maintain service quality to implement the business plan approved by Annual General Meeting of Shareholders.

Activities of the BOD, BOM and BOS were abided by Law on Enterprise, PV Drilling's charter, under PVN's direction through its capital representatives at PV Drilling, based on Resolutions, Decisions, Directives, Official Letters... The relationship between the BOD, BOM and the BOS is coordinated to fulfill their roles and duties.

The BOD and the BOM have supported the BOS to fully perform their responsibilities.

2.3. Financial accounting and evaluating financial statements

Conducting its functions and duties in compliance with PV Drilling's charter, BOS' operation regulation, the BOS has reviewed and evaluated 2017 audited financial statements and 2018 semi-annual audited financial statements. Basically, the audited financial statements conducted by Deloitte Vietnam Co., Ltd gave a true and fair view of PV Drilling's business operation and in consistent with Vietnamese accounting standards and current regulations.

2.4. The implementation of internal regulations of PV Drilling

PV Drilling has been improving, supplementing and completing internal regulations in compliance with current Stare policies, the Corporation regulations and requirements, guidances from PVN.

2.5. Number of shares, remuneration of the BOS

Remuneration, number of shares owned by BOS members as of 31 December was as follows:



3. Evaluation of Coordination Between BOS with BOD and President & CEO

PV Drilling's BOD and BOM have assisted the BOS to carry out supervisory activities in accordance with its functions and duties stipulated in PV Drilling's charter, the Law on Enterprise; maintaining working relationships and well coordinating for sustainable growth of PV Drilling and for the sake of shareholders' benefits.

4. Operation Plan of The BOS In 2019

- Supervising the implementation of Resolution approved by the Annual General Meeting of Shareholders.
- Monitoring the compliance with the law, PV Drilling's charter and internal regulations in business management.
- Supervising the implementation of 2019 business plan assigned by PVN and the upcoming Annual General Meeting of Shareholders.
- Supervising the implementation of inspection teams' recommendations of competent agencies.

- Evaluating financial statements issued by an independent auditor.
- Participating and contributing ideas in BOD and BOM meetings to promptly supervise PV Drilling's business operation and issue risk warning (if any).
- Supervising the implementation of the Restructuring Plan approved by PVN.
- Supervising investment activities, capital usage and management.
- Checking and supervising the compliance of the law, the Charter, internal regulations of the divisions, departments through direct inspection and internal reports.
- Checking and supervising 2019 business operation of PV Drilling and its subsidiaries through direct inspection, reports of PV Drilling's representatives at subsidiaries.
- Performing other tasks of the BOS in compliance with current regulations.
- Updating newly issued policies/regulations, participating in training courses to enhance professional qualifications.

Introduction of the Board of Management



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In 2018, there was no personnel changes among PV Drilling's Board of Management. There were still 8 members with high expertise, wide experience in the oil and gas industry, especially 4 of whom joining PV Drilling from its first establishment. With their extensive expertise and deep knowledge, PV Drilling has fully exerted their efforts for the target of PV Drilling's sustainable growth.



1 - Mr. PHAM TIEN DUNG

Title: President & CEO of PV Drilling

2 - Mr. TRAN VAN HOAT

Title: Vice President, PV Drilling

3 - Mr. DAO NGOC ANH

Title: Vice President, PV Drilling

4 - Mr. NGUYEN XUAN CUONG

Title: Vice President, PV Drilling

5 - Mr. TRINH VAN VINH

Title: Vice President, PV Drilling

6 - Mr. VU VAN MINH

Title: Vice President, PV Drilling

7 - Mr. HO VU HAI

Title: Vice President, PV Drilling

8 - Mr. DO DANH RANG

Title: Vice President, PV Drilling

Introduction of the Board of Management (continued)

1 - Mr. PHAM TIEN DUNG

Title: President & CEO of PV Drilling, Member of PV Drilling's Board of Directors

Date of birth: 1967

Date of appointment: 5/8/2010

Education:

- Bachelor of Science (Mechanical Engineering)
- Bachelor of Art (English)

Experience: 27 years of experience in the oil and gas industry.

Field of charge: Generally direct and manage the sustainable business growth, policies and business operation.

2 - Mr. TRAN VAN HOAT

Title: Vice President, PV Drilling

Date of birth: 1960

Date of appointment: 26/11/2001

Education:

- Bachelor of Petroleum Engineering
- Advanced Petroleum Engineering Certificate from Soviet Union

Experience: 36 years of experience in the oil and gas field

Field of charge: Responsible for internal affairs, emulation and awards, planning and emergency response team

3 - Mr. DAO NGOC ANH

Title: Vice President, PV Drilling

Date of birth: 1962

Date of appointment: 8/12/2009

Education:

- Bachelor of Marine Engineering, Shipbuilding University, Leningrad, Russia.

Experience: 32 years of experience in the oil and gas industry

Field of charge: Responsible for Investment - Commercial activities and manage PV Drilling's investment projects.

4 - Mr. NGUYEN XUAN CUONG

Title: Vice President, PV Drilling

Date of birth: 1968

Date of appointment: 1/9/2010

Education:

- Bachelor of Science (Drilling Engineering)
- Master of Business Administration

Experience: 27 years of experience in the oil and gas field

Field of charge: Directly managing the operation of PV Drilling's rig fleet, implementing the training programs for technical staff, assisting for business development - trade negotiations, and in charge of the HSEQ Division of PV Drilling.

EMPLOYMENT HISTORY

8/2010 - Present	President & CEO, PV Drilling;
2009 - 8/2010	Vice President & COO, PV Drilling;
2005 - 2009	Vice President of PV Drilling, Director of PVD Drilling Division;
2001 - 2005	Director of Drilling Services Enterprise, PV Drilling;
1997 - 2001	Manager of PTSC Offshore Services Center;
1992 - 1997	Worked in different multinational corporations in Singapore, Australia, and Thailand..

Concurrent positions: PV Drilling's BOD member, Chairman of PVD Baker Hughes, Chairman of PVD Overseas

EMPLOYMENT HISTORY

2006 - Present	Vice President of PV Drilling, Director of Oil Spill Response'
2001 - 2006	Vice President of PV Drilling;'
1987 - 2001	Services Enterprise (NASOS) Chief Engineer and Rig Manager of Cuu Long Jack-up rig, Vietsovpetro;
1983 - 1987	Drilling engineer, Thai Binh Petroleum I company

Concurrent positions: Chairman of the Appraisal Committee for PV Drilling's Investment projects.

EMPLOYMENT HISTORY

12/2009 - Present	Vice President, PV Drilling;
2008 - 2009	Manager of Project Management Department, PV Drilling;
2003 - 2008	Manager of Import Division, Petechim;
2001 - 2003	Deputy Manager of Oil Transportation Division, Petechim;
1994 - 2001	Deputy Manager of Import Division, Petechim;
1987 - 1994	Senior officer in Floating Facilities Department, Petechim.

Concurrent positions: Team leader of PV Drilling's Investment Projects, BOD Member of PVD - Expro and BOD Member of PVD Tubulars Management.

EMPLOYMENT HISTORY

9/2010 - Present	Vice President, PV Drilling and Director of PVD Drilling Division;
6/2008 - 9/2010	Vice President, PVEP
2005 - 2008	Director/Deputy Director of Operation Division, PVEP - Algeria
2003 - 2005	Deputy Manager/Manager of Drilling Operation Department, PIDC
2001 - 2003	Manager of Hanoi Basin Project/ Amara Project, PIDC
1999 - 2001	Drilling Engineer, Unocal
1996 - 1999	Drilling Engineer, PVSC
1992 - 1996	Working at PTSC

Concurrent positions: Chairman of PVD Training, BOD member of PVD Overseas, Chairman of PV Drilling's HSEQ Committee.

Introduction of the Board of Management (continued)

5 - Mr. TRINH VAN VINH

Title: Vice President, PV Drilling

Date of birth: 1963

Date of appointment: 20/6/2011

Education:

– Bachelor of Mechanical Engineering;

Experience: 32 years of experience in the oil and gas field

Field of charge: Responsible for business development activities, supporting for Operations of PV Drilling.

EMPLOYMENT HISTORY

8/2011 - Present Vice President of PV Drilling;
6/2011 – 8/2011 Vice President of PV Drilling and Director of PVD Tech;
2006 – 6/2011 Director of PVD Tech;
2002 – 2006 Deputy Manager/Manager of Technical Department, PV Drilling;
1987 – 2002 Mechanical Engineer, Deputy Chief of Electrical and Mechanical Department, Assistant to CEO, Vietsovpetro

Concurrent positions: Chairman of BJ-PV Drilling, Chairman of PVD-OSI, BOD Member of PVD Tech, BOD Member of PVD Overseas, BOD Member of Vietubes.

6 - Mr. VU VAN MINH

Title: Vice President, PV Drilling

Date of birth: 1971

Date of appointment: 25/11/2014

Education:

– Master of Petroleum Technology, Exploration and Drilling

Experience: 26 years of experience in the oil and gas field

Field of charge: Responsible for developing well technical services at PV Drilling's subsidiaries.

EMPLOYMENT HISTORY

11/2014 - Present Vice President of PV Drilling; Director / Deputy Director of PVD Baker Hughes;
4/2011 – 11/2014 Director, PVD Baker Hughes;
7/2010 - 3/2011 Director, PVD Baker Hughes Establishment Project;
6/2008 – 6/2010 Chief Drilling Engineer and Drilling Supervisor, Hoang Long - Hoan Vu JOC;
9/2006 – 5/2008 Deputy Manager of Operation Supports and Technology, Deputy Manager, Contract Management Division, Petrovietnam;
2/1996 – 8/2006 Drilling Engineer, Exploration & Production Department, Petroleum Exploration Division, Petrovietnam.
10/1993 – 1/1996 Drilling Engineer, PVSC;

Concurrent positions: Chairman of PVD Well Services; BOD member of PVD Baker Hughes.

7 - Mr. HO VU HAI

Title: Vice President, PV Drilling

Date of birth: 1971

Date of appointment: 9/3/2015

Education:

– Bachelor in Maritime Engineering

Experience: 25 years of experience in the oil and gas industry

Field of charge: In charge of PV Drilling's business activities in Vung Tau and generally direct the business growth of PVD Offshore.

EMPLOYMENT HISTORY

3/2015 - Present Vice President of PV Drilling;
2011 – 2015 Vice President, PVDP;
2009 – 2011 Vice President of PV Drilling and Director of Drilling Division;
2008 – 2009 Vice President of PV Drilling and Director of PVD Offshore;
2007 – 2008 Director of PVD Offshore;
2006 – 2007 Director of Drilling Services Enterprise, a subsidiary of PV Drilling;
2001 – 2006 Director of Oil Spill Response Services Enterprise, a subsidiary of PV Drilling;
1994 – 2001 Leader of Oil Spill Response Team of PTSC Offshore.

Concurrent positions: Chairman of PVD Offshore, Chairman of PVD Deepwater.

8 - Mr. DO DANH RANG

Title: Vice President, PV Drilling

Date of birth: 1972

Date of appointment: 13/4/2017

Education:

– Master of International Finance and Accounting, Swinburne University, Australia

Experience: 24 years of experience in accounting and finance field.

Field of charge: Responsible for finance management, financial accounting, internal audit, tax, corporate governance policy/system, information disclosure, investor/ shareholder relation of the Corporation.

EMPLOYMENT HISTORY

4/2017 - Present Vice President of PV Drilling;
1/2009 – 4/2017 Manager, Finance Division, PV Drilling;
1/2008 – 12/2008 Deputy Manager, Finance Division, PV Drilling;
6/2006 – 12/ 2007 Manager, Accounting - Finance Dept., Kimberly Clark Vietnam Ltd;
7/2003 – 6/2006 Manager, Finance Dept., S-Telecom CDMA, Mobile phone Center;
6/2001 – 7/2003 Team Leader, Accounting - Finance Group, Vietnam American Standard Company;
7/1998 – 6/2001 Team Leader, Accounting Cost Group, Vietnam American Standard Company;
10/1995 – 6/1998 General Accountant, Grand Imperial Saigon Hotel Ltd (Park Hyatt Hotel).

Introduction of Chief Accountant & Finance Manager



1 - Mr. DOAN DAC TUNG

Title: Chief Accountant, PV Drilling

Date of birth: 1972

Date of appointment: 01/3/2006

Education:

- Bachelor of Economics, University of Finance and Consultancy
- Master of Business Administration

2 - Mr. NGUYEN NGOC TRUONG

Title: Finance Manager

Date of birth: 1976

Date of appointment: 17/5/2017

Education:

- Master of International Finance and Accounting, Swinburne University, Australia

EMPLOYMENT HISTORY

- 2006 -present Chief Accountant, PV Drilling;
- 2002 - 2006 Deputy Manager, Accounting - Finance Department, PV Drilling;
- 1998 - 2001 Accountant Executive, PTSC Offshore, a subsidiary of PTSC

EMPLOYMENT HISTORY

- 5/2017- present Finance Manager, PV Drilling;
- 7/2011 - 4/2017 Deputy Finance Manager, PV Drilling;
- 1/2011 - 6/2011 Team Leader of Financial Analysis, PV Drilling;
- 1/2001 - 12/2010 Report Team Leader, Holcim Cement Group (Swiss);
- 7/1999 - 12/2000 Chief Accountant, Son Ha Export Embroidery Company;
- 8/1998 - 6/1999 General Accountant, Son Ha Export Embroidery Company.

Report of Board of Management



a. Overview of Business Performance in 2018

The year 2018 was ended with many fluctuations such as tensions in U.S. - China trade, the impression of North Korea diplomacy, new movements in the war of Syria, Yemen, etc. Regardless of difficulties from trade barriers, increasing economic protection from some countries, tensions in U.S. - China trade, Vietnam's economic growth reached the highest rate in 10 years of 7.08% and be forecasted to stay at high rate of over 7% in 2019.

In the energy market, WTI and Brent crude oil price have some positive movements from late 2017 to 2018. Brent crude oil prices in 2018 reached an average price of 71.3 USD / barrel, an increase of 17 USD / barrel or equivalent of 31.4% compared to the average price in 2017; WTI crude oil price reached an average price of 65.2 USD / barrel, an increase of 14.1 USD / barrel, or equivalent of 27.7% compared to the average price of previous year. The supply of crude oil was stably remained, especially, regardless of the agreement of cutting oil supply issued by OPEC and Russia, the world's three biggest oil producers - Saudi Arabia, Russia and U.S. have continued to pump the supply in the end of the year to compensate the oil shortage from Iran due to punishment of U.S to Tehran. The U.S. crude oil production jumped to a record of 11.4 million barrels per day in November 2018.

The drilling market was positively influenced by the unstable rise of crude oil price. In most areas, the offshore rig utilization has improved with over 67% and is expected to reach over 70% in 2019 in Southeast Asia.

In Vietnam, although the regional drilling market has warmed up, the domestic demand of drilling rigs was still low, most oil and gas contractors were still reluctant to carry out new drilling projects. 2018 was the year that PV Drilling was continued to face many difficulties due to lack of work on domestic market, the fierce competition in service price, a delay of Red Emperor project impacting on the effort to bring PV Drilling V back to work while developing services to foreign market has faced to tariff barriers and protection of local services in the foreign country, etc. However, PV Drilling still continued our strategy as the slogan of annual report 2016 "Together we strive - Redefine our future". PV Drilling is gradually expanding our market to regional countries, reducing the dependence on the domestic market. Despite getting many difficulties in the first stage of bringing our services to overseas as mentioned above, PV Drilling has achieved some positive results in 2018, PV Drilling had 4 over 6 rigs including 03 offshore rigs and 01 land rig operating overseas. Especially, after the successful drilling campaign for Petronas, PV DRILLING III has acquired a long-term contract expiring in 2020 with Repsol in Malaysia, which contributes to increase utilization rate of PV Drilling rig from 74% in 2017 to 85% in 2018.

From that, in year 2018, total consolidated revenue achieved VND 5,500 billion and net profit after tax achieved VND 198 billion, up 41% and 337% in comparison to 2017. The performances are the results of taking every chance to get jobs, hardworking engineers, bringing the best quality of services to clients in the period of cutting cost. In year 2018, the ministry of finance has approved to PV Drilling changing the useful life of the rigs from 20 years to 35 years. This change allows the useful life of these rigs

recorded in the accounting period to be more reasonable compared to economic useful life, comply with the international practice, and the related regulations, as well as increase the competence of our rigs in rivaling foreign Drillers. In addition, after many efforts, PVD has collected 80% (equivalent to VND 400 billion) receivables from PVEP POC, and reverted bad debt provision about VND 121 billion. Moreover, PV Drilling reverted the unused Science and Technology Development Fund based on the related regulations.

The number of shares owned, salary & Remuneration of the Board of Management in year 2018

Member	Number of shares owned (Unit: share)	Salary & Remuneration (Unit: VND 1.000)	Number of shares owned in PVD Training (Unit: share)
Mr. Pham Tien Dung <i>President & CEO, Member of BOD</i>	153,868	518,400	3,000
Mr. Tran Van Hoat <i>Vice president</i>	3	1,090,122	
Mr. Dao Ngoc Anh <i>Vice president</i>	798	1,090,122	
Mr. Trinh Van Vinh <i>Vice president</i>	8	1,090,122	5,000
Mr. Nguyen Xuan Cuong <i>Vice president</i>	3,164	1,090,122	
Mr. Vu Van Minh <i>Vice president</i>	22,269	Received in PVD-Baker Hughes	
Mr. Ho Vu Hai <i>Vice president</i>	-	1,090,122	3,000
Mr. Do Danh Rang <i>Vice president</i>	46,992	996,996	2,000
Total	227,102	6,966,006	13,000

b. Financial situation in 2018

Items	Unit	2016	2017	2018	% variance
Revenue	VND. Bil	5,360	3,891	5,500	41.4%
Operating profit	VND. Bil	182	-472	93	119.7%
Other profit	VND. Bil	87	623	140	-77.5%
Profit before tax	VND. Bil	268	151	233	54.1%
CIT	VND. Bil	-83	-115	-60	-48%
Profit after tax (The Company's shareholders)	VND. Bil	129	45	198	336.8%
Dividend payout (in form of cash)	%	-	-	-	
Dividend payout (in form of stock)	%	-	-	-	

Report of Board of Management (continued)

At the end of 2018, PV Drilling's total assets were VND 21,004 billion, decreased by 3.7% compared to 2017. Current assets decreased 9.7% compared to 2017 mainly due to cash flow reduction (including short term deposit), loan principal repayment as lower drilling day rate compared to the break-even point, fixed cost for warmed stacked rigs and overdue debts from PVEP, mostly from 2 to 3 years. The two main factors that make non-current assets decrease only 1.3% over the last year are (i) PV Drilling does not invest more valuable assets or invests outside the enterprise and (ii) PV Drilling changes rig time depreciation from 20 years to 35 years to match the actual usefulness time of the rig (after being approved by the Ministry of Finance) reduces the depreciation value.

At the end of 2018, PV Drilling's total liabilities were VND 7,154 billion, decreasing by 14.3% compared to 2017. Current liabilities reduced by 28.3% mainly due to PVD

Overseas (a subsidiary of PV Drilling) reclassified its loans when Vietcombank and SeABank extended the repayment for the loans invested PV DRILLING VI to 15 years compared to the original schedule of 8 years. In addition, PV Drilling has actively worked with the Bank to pay off the principal of PV DRILLING II rig investment loan. Non-current liabilities slightly decreased by 1.9% over the same period due to PV Drilling's principal repayment and refund of Science and Technology Development Fund; offsetting the long-term debt increase due to loan restructuring of PVD Overseas as mentioned above.

In 2018, PV Drilling's business results are not high due to the general impact of the oil and gas market, so undistributed profits in 2018 remained unchanged compared to the previous year, total equity increased by 2.8% which mainly comes from the effect of exchange rate differences when converting the USD report to VND.

Items	Unit	2016	2017	2018	% variance
Total assets	VND. Bil	23,143	21,817	21,004	-3.7%
- Current assets	VND. Bil	6,817	6,284	5,674	-9.7%
- Non- current assets	VND. Bil	16,325	15,533	15,330	-1.3%
Total liabilities	VND. Bil	9,667	8,345	7,154	-14.3%
- Current liabilities	VND. Bil	3,246	3,905	2,800	-28.3%
- Non- current liabilities	VND. Bil	6,421	4,439	4,354	-1.9%
Equity	VND. Bil	13,475	13,473	13,850	2.8%

In 2018, total revenue increased by 41.4% compared to 2017 thanks to the efforts of maintaining the business operation overcome a difficult period and seeking every opportunity to develop the service, so that the revenue of which contributing to the effective growth of revenue. However, the drilling day rate is insufficient to compared to the operating costs to offset the total operating costs (including variable costs and fixed costs) and 85% average utilization rate of jack-up rigs, warm stack status of TAD rig lead to net profit in 2018 is a modest number. Along with the positive result from business operation, net profit from operating activities of VND 93 billion in 2018 was contributed by the collection of overdue debts from PVEP and the adjustment of depreciation period off offshore drilling rigs approved by The Ministry of Finance.

PV Drilling has experienced 3 years in a row operating in difficult market conditions. The Board of Management of PV Drilling has made great efforts to apply a variety of management and finance solutions to minimize negative impacts, especially to ensure cash flow for operations. In the most difficult period of oil and gas industry, many big drilling companies in the world went bankrupt or merged, PV Drilling still generated the surplus cash flow from operating activities, the healthy financial position thanks to strong financial resources accumulated in its development phase.

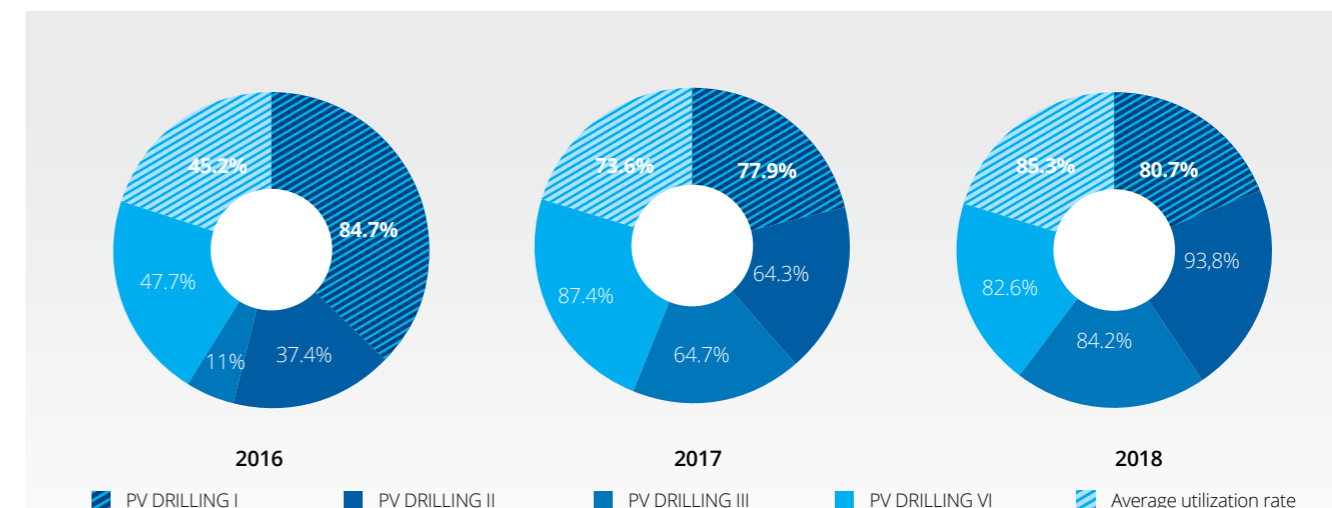
Financial indicators

Items	Unit	2016	2017	2018	% variance
Profitability ratios					
Profit after tax/Revenue	%	2.4%	1.2%	3.6%	2.4%
Profit after tax/Equity (ROE)	%	1.4%	0.3%	1.3%	1.0%
Profit after tax/Assets (ROA)	%	0.8%	0.2%	0.8%	0.6%
Operating profit/Revenue	%	3.4%	-12.1%	1.7%	13.8%

The low profit after tax of 2018 led to the low profitability ratios of PV Drilling compared to the period of 2010-2015. However, the positive point is that these financial indicators are still positive and improved compared to last year. This result reflects the continuous efforts of PV Drilling's Board of Management and employees to obtain positive profits in 2018.

Despite the low unit price and drilling-related services, PV Drilling still tries to maintain domestic market share, providing services to customers with the highest commitment in quality and time, besides maintaining a high operating efficiency and absolute safety. PV Drilling's efficiency of using jack-up rigs improved gradually over the years, from 45.2% in 2016 to 85.3% in 2018.

Average utilization rate of jack-up rig



Report of Board of Management (continued)

A strategic success of PV Drilling that is the international campaigns of PV Drilling's rigs in 2018, 4/6 PV Drilling's owned rigs operated overseas at the same time.

As committed by the PV Drilling to shareholders, the 2018 plan was achieved by applying the synchronized

solutions such as maintaining reasonable business strategies, saving and cut cost policies, controlling cash flow effectively and especially the effective use of financial resources that have been reserved from effective operation in previous years.

Items	Unit	2016	2017	2018	% variance
Liquidity ratio					
Current ratio	time	2.1	1.6	2.0	26.0%
Quick ratio	time	1.9	1.4	1.8	24.0%
Current asset - Inventory	VND. Bil	6,022	5,530	4,914	-11.1%
Current liabilities	VND. Bil	3,246	3,905	2,800	-28.3%

During the challenging years of the oil and gas market, PV Drilling still maintained a safe financial situation; although the cash flow decreased gradually due to the low drilling day rate, the PV Drilling's liquidity ratio was still quite high,

exceeding the safety level by 1 time. Achieving this result is mainly thanks to the financial resources contributed from effective operation in previous years when PV Drilling has made provisions for sustainable development

Items	Unit	2016	2017	2018	% variance
Financial leverage					
Total liabilities/Total assets	time	0.4	0.4	0.3	-11.0%
Total liabilities/Equity	time	0.7	0.6	0.5	-16.7%
Operational efficiency					
Inventory turnover	time	5.0	4.8	6.7	41.2%
Inventory average	VND. Bil	899	775	757	-2.3%
Revenue/Total assets	time	0.2	0.2	0.3	46.8%

Although business performance has not yet prospered in 2018, PV Drilling tried to maintain financial ratios of capital structure, operational efficiency and safety at the sufficient level. Total liabilities/total assets ratio was 0.34 times and total liabilities/equity ratio was 0.53 times compared to 0.38 times and 0.63 times in 2017. Dropped loan balance and the reserve of Science & Technology Development Fund are two key factors resulted in financial leverage ratio in 2018. In the 1st quarter of 2018, PV Drilling has finalized early the loan of PV DRILLING II rig to minimize financial burden, to reduce interest expense and to control cash flow risks. For the long-term loans of PV DRILLING VI rig, Vietcombank and SeABank extended the repayment period to 15 years compared to the original schedule of 8 years. Therefore, the loan restructuring program helps



As committed by PV Drilling to shareholders, 2018 plan was achieved from applying the synchronized solutions such as maintaining reasonable business strategies, saving and cut cost policies, controlling cash flow effectively and especially the effective use of financial resources that have reserved from effective operation in previous years.

PVD Overseas minimize cash flow burden in the context of difficult jobs with low drilling day rate.

For the PV DRILLING V investment loan, PV Drilling is still looking for jobs at domestic and abroad which is a foundation for banks to restructure loans.

In addition, PV Drilling enhanced the efficiency of management and maintained the effective use of equipment and spare parts. The repair and maintenance of rig and well technical service's equipment and machinery were maximized through the inventory purchasing process, prioritizing to use intra-transferred inventory among rigs, among subsidiaries to minimize inventory expense and operating expenses. In 2018, the inventory turnover increased due to revenue from trading services increases sharply over 3 times compared to 2017 mainly coming from the supply contracts of pipes, structural steel, wellhead equipment for Rosneft and Repsol.



Report of Board of Management (continued)

c. Analysis of 2018 business performance

The operation of PV Drilling off 2018 has faced many difficulties: the day rate of drilling services has been still low, around 50,000 USD/day – 60,000 USD/day in 2018; down to 70% in comparison with the period from 2014 to 2015; there were just a few drilling programs with short stages operated and not connected with each other; promoting services to foreign market has faced certain obstacles such as tariff barriers, protection of local services in Malaysia, Thailand, Indonesia, etc. On the contrary, in the local market, there is no protection of local services through the technique barriers, so the foreign drillers have competed with the local by low rate of service prices. However, the 2018 business performance of PV Drilling is a result of great effort of the whole management and employees. In 2018, total consolidated revenue achieved VND 5,500 billion and net profit after tax achieved VND 198 billion, up 41% and 337% in comparison to 2017. PV Drilling continues contributing over VND 692 billion to the State budget in 2018.

The growth of the total consolidated revenue came from five score services: drilling, well technical, manpower, trading and procurement, workshop services,

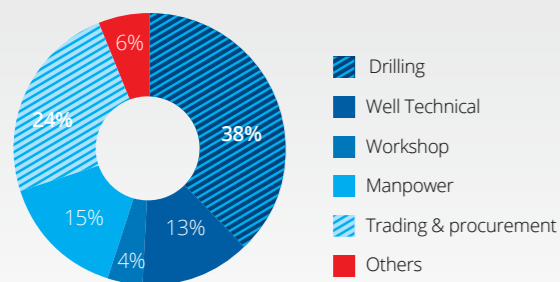
Revenue
\$\$\$ 5.500 VND Billion

Total Profit after tax
198 VND Billion

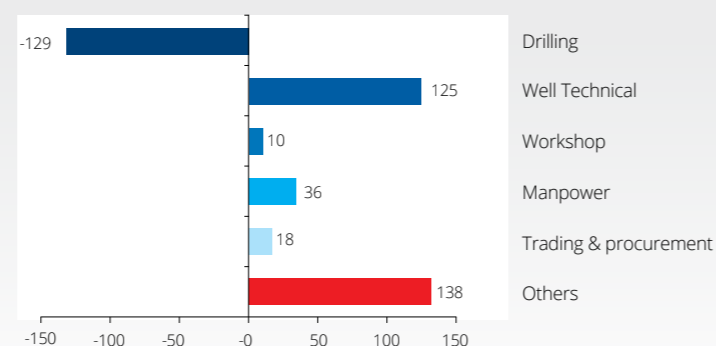
+ Drilling services: From the beginning until now, the strategy of PV Drilling always focuses on its core business, including drilling services. From 2011 to 2015, the contribution of drilling services has obtained a major portion of total revenues and profit (over 55%) thanks to rig maximized operating efficiency (over 99%), taking full of advantage of the growth of drilling market, and even using rented rigs from subcontractors. In the recession stage, although the demands of clients for drilling services have been down, the average utilization rate of rigs has been low, and the day rate declined by 65% versus from at the peak of drilling market, PV Drilling has been steady in its developing strategy, committing to quality services providing to clients incessantly improving, training, transferring technology, and changing the view of business management. Not depending on the domestic market, the drilling service operation in year 2018 is the major premise for the development into foreign markets when there were 3 over 4 rigs operated overseas in some point of time of year 2018: PV DRILLING I operated in Thailand to Kris Energy in Thailand gulf, PV DRILLING III operated in Malaysia to Repsol in Kewa – BKC WHP – PM3 CAA field, PV DRILLING VI operated in Malaysia to IPC in Bertam field. The reputation of PV Drilling increases not only in the domestic market but also in the foreign markets, because the rigs have been always operated in high operating efficiency (over 98%) and been free of LTI (in accordance with the IADC's guidance) in many consecutive years: PV DRILLING I achieved 12 years of safe operation; PV DRILLING II & III achieved 9 years; PV DRILLING VI achieved 4 years and PV DRILLING V achieved 6 years of safe operation.



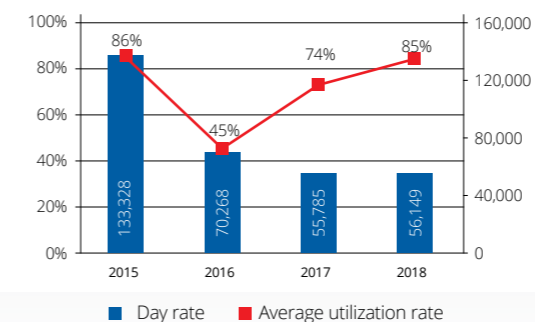
Revenue structure by services



Profit after tax



Day rate & average utilization rate of PV Drilling's Jack up rigs from 2015 to 2018



98%

PV Drilling are still highly appreciated by oil and gas contractors based on excellent rig operating working efficiency rate (over 98%).

Report of Board of Management (continued)

The total revenue of drilling services of year 2018 reached 2,084 billion VND, increased by 19% when compared to year 2017. This performance came from many factors: the average utilization rate of rigs has been improved, being 85% in current years, compared to 74% in year 2017, the day rate of jack-up rigs has been slightly increased, around 56 thousand USD/day, two integrated contracts with Premier Oil and Thang Long have been processed successfully with revenue over USD 15 million USD. In addition, the changing the useful life of PV DRILLING II, III and VI rigs from 20 years to 35 years lets the PV DRILLING's competence is higher in rivaling foreign drillers, and set up the next steps for the development of the services as the day rate is improved. The performance of drilling services was shown by following figures

- PV Drilling has widened its market to the South East Asia such as Thailand, Malaysia... In which, the PV DRILLING III continues to operate to Petronas and Repsol in Malaysia for 2 years and the time of operating to Repsol could be extended.
- PV Drilling successfully implemented two integrated contracts with Premier Oil and Thang Long with total revenue of over USD 15 million USD.
- PV Drilling has Vietnamese rig manager for PV DRILLING VI at the first time in year 2018; the replacement rate of expats working on the rigs get 50%, which strongly reduces operating cost.

It gradually affirms that the strategy of developing services into foreign markets is precise direction of PV Drilling. Following the successful footsteps from drilling jobs in Myanmar, PV Drilling has confidently planned to operate four jack-up rigs overseas in year 2019. It shows that the brand name and the competence of PV Drilling are more highly assessed and stay well in the drilling market of South East Asia.



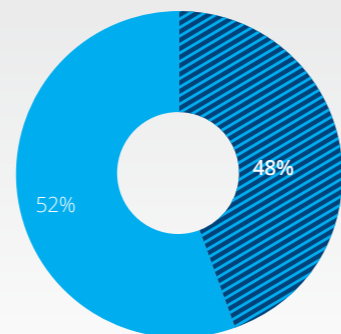
It gradually affirms that the strategy of developing services into foreign markets is judicious direction of PV Drilling.

+ Technical service

In year 2018, revenue generated from the well technical service was around VND 706 billion, VND 302 billion higher than one in year 2017, the net profit of this service reached VND 125 billion, up to VND 81 billion in comparison with previous year. The well technical service, compensated for the downturn of the drilling services. That is resulted from the impressive growth of score activities: well testing, case hold, slickline, MPD ... The total revenue of this service presented around 13% in total revenue of PV Drilling. If these performances combining with the result from the operation of two joint ventures including BJ-PVD and PVD Baker Hughes, the well technical service contributed a major portion in total profit of PV Drilling.

The other highlight from the performances is that the profit margins of this service had an impressive growth, being around 18% in year 2018, compared with 11% in year 2017. This highlight shows the incessant efforts of cutting cost by streamlining the structure of organization, processing cooperation restructuring in a compact way; enhancing our resources through training the skilled labors to raise the self-implemented portion of this service.

Type of revenue	Y2018	Y2017
Self-performed revenue	339	202
Revenue through third parties	366	201
Total	706	404



Self-performed revenue
Revenue through third parties

However, PV Drilling always considers that the opportunities of expanding its services in the local market are reducing, so it needs necessary steps to promote this services into foreign markets alongside expanding the market of drilling services. In 2018, the process of promoting these services into foreign markets has first steps: cooperating with BH, OWS, Destini to develop tool/equipment rental services in some markets such as Thailand, Malaysia, Middle East;...

Besides offering competitive service prices and providing the stable service quality to upgrade PV Drilling's prestige in both domestic and foreign market, PV Drilling also concentrates on setting up quality evaluating systems based on the international criteria. These are the firm foundations to well support PV Drilling to win the bids and increase the market share in both domestic and foreign markets.

+ Manpower service

In 2018, the total revenue of this service was more than VND 847 billion, and the total profit after tax was about VND 36 billion, increased by VND 21 billion and VND 14 billion when compared to 2017 respectively. It showed that, the growth of manpower services has declined compared to the peak stages however it is significant to maintain this service. In this year, PV Drilling has not only supplied manpower working on owned rigs, but also won the bid of supplying manpower for clients such as: KS Drilling (operating on Javar Star 2 rig), Japan Drilling Company (Hakuryu rig), Talisman, Cuu Long, ENI, ...

Also in this year, PV Drilling step by step has promoted this service abroad. Specifically, in Japan, besides keeping supplying manpower for the geothermal drilling, PV Drilling has supplied manpower for the offshore drilling at the first time. The manpower service is always considered a score service of PV Drilling, and gives active supports to the drilling service. Improving the high-skilled and dynamic human resource, seeking market in both domestic and international market. Moreover, that are the practical steps for developing the manpower service in 2018 and next years.

+ Trading and procurement

The total revenue of service reached VND 1,332 billion, the total profit after tax reached VND 18 billion, up to 232%

and 61% compared to 2017. Supplying casing/conductor, steel, subsea equipment earned the major revenue and profit for this service. In this year, the main clients of the service were Vietsovpetro, TNK, PTSC, ...

In spite of generating a large amount of revenue, the margin profit of this service is limited. That is result of facing serve competition, bearing high financial expenses, being impacted from fluctuation of exchange rate when the major of high value equipment provided to client has been imported.

+ Workshop

The stable operation helps workshop service generate 223 billion VND of revenue and 10 billion VND of net profit after tax, equivalent to 21% and 78% compared to last year. Even not finding some major contracts of manufacturing skid, equipment to driller contractors such as: Hoang Long, PTSC, VSP or not having more outward processing jobs compared with 2017, the 2018 performance of workshop service mainly came from supplying the services of inspection, threading casing, welding ... Being severely competed in price, getting obstacles on penetrating and expanding market share in foreign countries are all the reasons causing the promoting these services abroad more difficult.

d. Investment in 2018

Total investment capital that PV Drilling invested in machines and equipment reached VND 42.9 billion in 2018. In which, PV Drilling used the Scientific and Technological Development Fund to invest in equipment such as: Casing Running Tool internal (CRTI), E-line units.

PV Drilling always encouraged and promote the projects such as scientific and technological research, investing modern machinery and equipment funded from Science and Technology Development Fund to reduce investment costs; beside that, PV Drilling controls investment plans; makes market research, prepares and approves appraisal reports for new investments; delays/halts the un-necessary demand of investments from PV Drilling and its subsidiaries to optimize the effectiveness of project in the difficulties state of oil and gas market.

Report of Board of Management (continued)

2018 REVENUE AND NET PROFIT

+ Drilling service

2018 Revenue
\$\$\$ 2,084 VND Bil.

+ Well technical services

2018 Revenue
\$\$\$ 706 VND Bil.

2018 Net Profit
125 VND Bil.

+ Manpower

2018 Revenue
\$\$\$ 847 VND Bil.

2018 Net Profit
36 VND Bil.

+ Trading & procurement

2018 Revenue
\$\$\$ 1,332 VND Bil.

2018 Net Profit
18 VND Bil.

+ Workshop

2018 Revenue
\$\$\$ 223 VND Bil.

2018 Net Profit
10 VND Bil.



The Improvement of Management Policy and Responsibilities for Environment Protection in 2018

At PV Drilling, the environment protection is always our priority and considered as one of the most important criteria for the sustainable development of the Corporation.

From establishment, PV Drilling Corporation focused on developing and implementing the environmental management system in accordance with ISO 14001 that was certified by DNV GL in 2006 and upgraded to ISO 14001:2015 in 2017. This system has been continually improved day by day through increasing employees' awareness, working processes/procedures and initiatives / actions to minimize negative impacts on environment. The article of environmental management in PV Drilling's environmental protection policy stated every risk which could have potential negative impacts on environment is prevented or minimized. This policy was integrated into the PV Drilling's Safety-Health-Environment – Quality (HSEQ) policy and approved by PV Drilling President & CEO. It was served as a basis for PV Drilling to set up objectives and strategy for sustainable development. The policy has been detailed and integrated in management procedures in order to strictly controlled all environmental aspects from inputs (Raw materials, Energy, Water) to outputs (Emissions, Waste) of all PV Drilling business activities.

This policy has been disseminated to all PV Drilling staffs through many kinds of approach such as website, internal seminars, environmental events, HSEQ newsletter and notice boards at rigs, offices and workshops... In addition, through the internal audits, external audits conducted by the customers or DNV GL, the employees were interviewed to assess the level of awareness and implementation of environmental protection policy. The results showed that all staffs understood the policy well and PV Drilling had fully complied with the current regulation and law, customers' requirements on environmental protection and international standard ISO 14001-2015.

PV Drilling clearly defined responsibilities and authorities of each management member from the level of corporation to its divisions on environmental protection through the implementation of the environmental management systems according to the international standard ISO 14001-2015 and the legal requirements on environmental protection at the whole Corporation. Particularly, the President & CEO assigned 01 Vice President to be in-charge of HSEQ for the whole Corporation.

The environmental protection programs such as "Earth Hour", "World Environment Day", "Green Office", "Green Factory" are annually launched by PV Drilling. Especially the operation cost saving program such as: re-using one-sided paper, saving electricity, water, production materials...has also contributed to the environmental protection. These programs not only contributed on enhancing employees' awareness about environmental protection but also created more professional working environment for PV Drilling employees.

The Corporation and its subsidiaries have assigned sufficient personnel with professional knowledge and experience to manage environmental protection activities. In 2018, PVD HSEQ reporting online system was fully completed and implemented, thereby all HSEQ data are monitored, managed and analyzed. From which, the HSE reports could be generated as necessary. The application of HSEQ reporting online system also contributes to the environmental protection by using less papers and inks. PV Drilling business performance in 2018 was brighter than the year 2017. Specifically, 2018 revenue reached 5,500 billion VND increasing of 41.4% compared to previous year. PV Drilling business activities have also increased correspondently, leading to the raise of the consumption of raw material, energy, resources and emissions to the environment. However the average increase of the fuel and resource consumption (15.5%) and emissions (29.25%) were still lower than that of the revenue in consideration of the operation.

Fuel consumption	2017	2018	% Increase/Decrease
Petrol (liter)	70,959	117,564	+66
Diesel Oil (ton)	1,179	678	- 42
Surface Water (m3)	15,299	20,001	+31
Electricity (kWh)	2,160,461	2,318,523	+7
Average Increase/Decrease:			15.5

Waste	2017	2018	% Increase/Decrease
General solid waste (ton)	123	208	+69
Hazardous waste (ton)	170	197	+16

At PV Drilling, environmental protection has highly been taken into account as it is regarded as the top criteria for its sustainable growth; therefore, 01 Vice President is always assigned to be in charge of environmental protection in general and PV Drilling's HSEQ activities in particular.



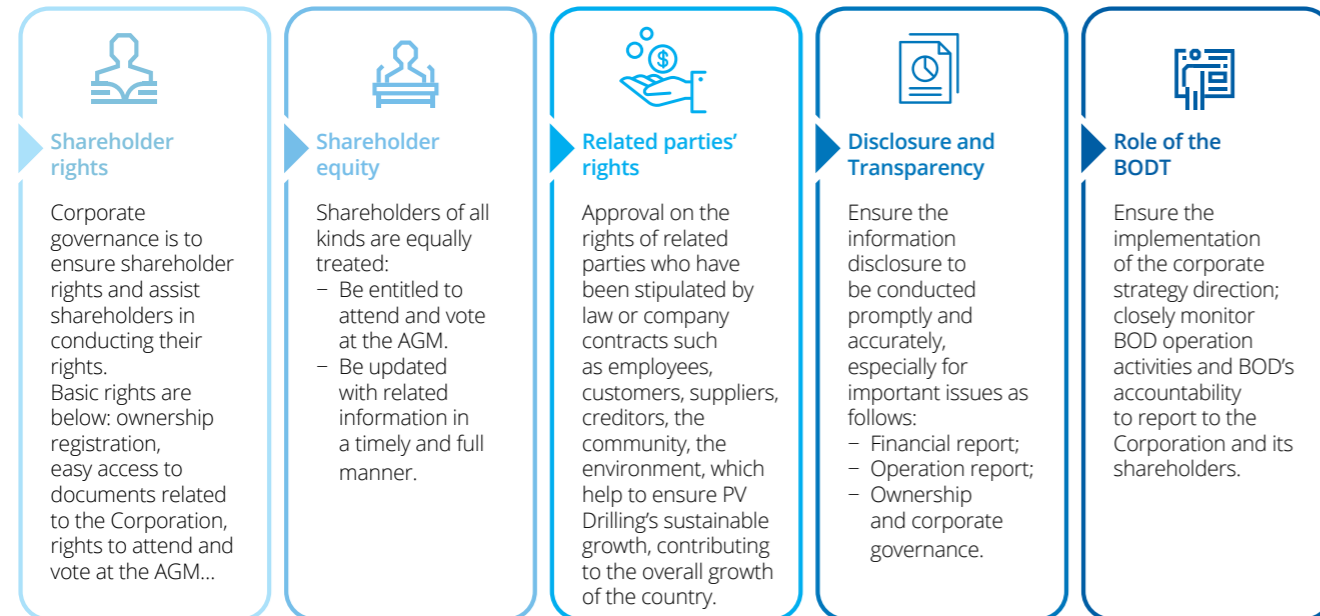
Report on Corporate Governance

Commitment to work in compliance with corporate governance standards

"At PV Drilling, we commit to conform to the highest corporate governance standards, to conduct all business operation activities in compliance with current law, the Charter and other internal regulations of the Corporation. Specifically, PV Drilling has been implementing the process of upgrading its internal corporate governance based on revised OECD Principles of Governance, which was specified with ACGS and VCGS scorecards to evaluate

publicly-listed companies in Vietnam. All of above scorecards are based on 5 aspects: shareholder right, shareholder equity, disclosure and transparency, rights of related parties, and role of Board of Directors. This is the best practice of corporate governance which is applied for all large domestic publicly-listed companies, heading for international corporate governance standards."

OECD Principles of Governance applied at PV Drilling:



I. PV Drilling's 2018 Annual General Meeting of Shareholders (AGM):

The content of 2018 AGM (including the Resolution of AGM which was approved with written documents) was detailed as follows:

No.	Resolution No.	Date	Content
1	01/2018/NQ-DHĐCĐ	27/4/2018	Resolution of the Annual General Meeting of the Shareholders of the fiscal year 2018

PV Drilling's 2018 Annual General Meeting of Shareholders:

On March 1st, 2018, PV Drilling issued the Decision No. 059/QĐ-PVD on establishment of AGM Steering Committee with functions: (i) to organize the AGM; (ii) to prepare materials for the AGM; (iii) other relevant tasks such as controlling and managing all the activities taken place during the meeting.

On March 6th, 2018, PV Drilling announced the final date for shareholders to register for attendance of 2019 AGM on its website.

On March 8th, 2018, PV Drilling issued the Decision No. 129/QĐ-PVD on assigning specific tasks to organize the AGM including the establishment of the Support team

with members from various specializing divisions such as Finance, Accounting, Human resources, Commercial – Investment, Business Development, Legal Division...; and the establishment of Voting team with 3 members including Managers of Finance, MIS Division, and Deputy Manager of Corporate Office. Vote counting at PV Drilling's AGM has strictly been conducted and always in compliance with current law and internal regulations.

On March 21st, 2018, PV Drilling posted on its website of VSD's notice (Vietnam Securities Depository) of the final registration date for shareholders to be entitled to attend PV Drilling's 2019 AGM.

On April 4th, 2018, PV Drilling posted the notice of nominating for the positions of independent member of BOD and member of BOS;

On April 17th, 2018, PV Drilling posted an Invitation letter along with all AGM materials on its website "www.pvdrilling.com.vn" and HOSE website. Simultaneously, PV Drilling completely sent to its shareholders the Invitation letter along with all related AGM materials.

On April 27th, 2018 PV Drilling held 2018 AGM at Rex Saigon hotel, 141 Nguyen Hue Blvd, Ben Nghe Ward, District 1, Ho Chi Minh City with attendance of all BOD members, Chief of Supervisory Board, Board of Management and all attending shareholders on the final list dated March 21st, 2018. In addition, Deloitte's representatives, the independent auditing company who audited PV Drilling's financial statements also attended the AGM to support with questions related to 2017 audited financial statements.

During the meeting, after all PV Drilling's reports, there has always been time for Q&A. The Presidium will actively answer or ask Support team to respond to all questions, ensuring to provide all relevant information to shareholders as requested.

The Resolution of the meeting, Minutes of the meeting, Minutes of Vote Counting of PV Drilling's Annual General Meeting have always been recorded accurately, sufficiently

and promptly, in compliance with current law. They have formally been announced at the AGM, being sent to HOSE, SSC and posted on PV Drilling's website within 24 hours after the AGM.

All materials related to PV Drilling's 2018 AGM have been remained on the website to provide easy access for its shareholders and investors.

II. The Board of Directors (year 2018):

1. Roles of the BOD

PV Drilling's BOD is our highest governance body. The BOD has the right to conduct on behalf of PV Drilling all the tasks under its authority. The BOD conducts its functions, responsibilities and accountabilities by passing resolutions under the supervision of the Supervisory Board. The BOD fully ensures PV Drilling's business operation activities to be in compliance with its Charter, internal regulations, AGM's resolution and relevant with current law. Accordingly, the BOD has its major rights and responsibilities as follows:

- Regularly review corporate strategic direction, long-term business plan and set annual performance objectives for PV Drilling;
- Monitor the implementation of performance objectives based on the business plan which was approved by the AGM;
- Determine the organizational structure, monitor the effectiveness of the company governance practices and make changes as needed;
- Reach solutions for expanding market shares, developing new markets, enhancing marketing and information technology;

When conducting its functions, the BOD strictly complies with the law, the Charter and Resolutions of the AGM.

Report on Corporate Governance (continued)

2. Separation of the role of Chairman and President & CEO

Strictly complied with Article 10, Circular No. 121/2012/TT-BTC dated July 26th, 2012 on corporate governance of public entities, Chairman of PV Drilling is not concurrently conducting the role of President & CEO. Separation of the two posts is a good practice as it can help to achieve an appropriate balance of power, increase accountability and improve the Board's capacity for decision-making independence of management and giving the best business performance.

3. BOD Independent members and their concurrent roles at other publicly-listed companies

Strictly complied with Clause 5, Article 13, Decree 71/2017/NĐ-CP guiding on public entities, PV Drilling's BOD independent members always make up at least 1/3 of the total members. Currently, among PV Drilling's BOD members are 3 independent ones with different expertise, including 01 PhD of Petroleum Machine & Equipment, 01 engineer of machine and mining, and 01 expert on banking and finance field.

All PV Drilling's BOD members commit to devote their power, wisdom and time for PV Drilling's development strategy. Currently, none of PV Drilling's BOD members serve in more than 5 Boards of other publicly-listed companies as stipulated in current law.

4. Updating PV Drilling's Vision and Mission of PV Drilling, reviewing the implementation of its corporate strategy

PV Drilling's BOD periodically conducts the task of reviewing market data, information update, market forecast; thereby, review, monitor and oversee the Vision and Mission which were already planned for the Corporation. Simultaneously, they can select the most appropriate orientation for PV Drilling's sustainable growth as well as supervise, control the implementation of its corporate strategy.

5. The BOD's meeting plan in 2019

In 2019, the BOD expects to have periodic meeting every quarter to discuss, conclude and timely give out appropriate solutions, directions for PV Drilling's business operation at every period. All above-mentioned meetings will be held in compliance with its Charter and Enterprise law.

Beside quarterly meetings, the BOD will collect opinions from all members to settle important issues in the form of written documents regarding to investment decisions, human resources development, organizational structures, key position appointment, modification and issuance of management regulations and relevant internal policies.

6. BOD's Sub-committees

As stipulated on Article 17, Decree 71/2017/NĐ-CP dated June 6th, 2017, it's not compulsory to establish sub-committees under the authority of the BOD. Hence, PV Drilling's BOD decided to maintain current organizational structure, without any sub-committee. Tasks will be assigned regarding to the field BOD member is in charge, in order to conduct a review of all contents under BOD's authority, to make decisions with integrity and accountability for close monitoring of the BOD's approved business plan.

7. The BOD's Resolutions/ Decisions:

No	Resolution / Decision	Date	Content
1	01/03/2018/NQ-HĐQT	01/3/2018	Approved the final date for shareholders to register for attendance of 2018 AGM; approved the date to convene 2018 AGM.
2	02/03/2018/NQ-HĐQT	08/3/2018	Approved to make a new appointment.
3	03/03/2018/NQ-HĐQT	08/3/2018	Approved to make a new appointment.
4	078/QĐ-HĐQT	16/3/2018	Approved to issue the amended Operation Regulation for PV Drilling's Retirement Board.
5	03/04/2018/NQ-HĐQT	27/4/2018	Approved to appoint a new Secretary of the Corporation.
6	01/5/2018/NQ-HĐQT	08/5/2018	Approved to discharge and make a new appointment.
7	02/5/2018/NQ-HĐQT	23/5/2018	Approved to appoint PV Drilling's representatives in joint ventures.
8	01/6/2018/NQ-HĐQT	15/6/2018	Approved to make a new appointment.
9	02/6/2018/NQ-HĐQT	21/6/2018	Approved to make a new appointment at PV Drilling.
10	01/7/2018/NQ-HĐQT	12/7/2018	Approved the restructuring plan for PVD Tubulars.
11	01/8/2018/NQ-HĐQT	06/8/2018	Approved the restructuring plan for BJ-PVD and PVD-BH.
12	02/8/2018/NQ-HĐQT	07/8/2018	Approved the settlement of 2017 remuneration fund for PVN's representatives at PV Drilling.
13	01/10/2018/NQ-HĐQT	15/10/2018	Approved to amend and supplement the Charter of PVD Deepwater.
14	02/10/2018/NQ-HĐQT	26/10/2018	Approved to discharge and make a new appointment.
15	03/10/2018/NQ-HĐQT	30/10/2018	Approved to discharge and make a new appointment.
16	01/11/2018/QĐ-HĐQT	01/11/2018	Approved to appoint PV Drilling's representative at PVD Well Services.
17	01/12/2018/NQ-HĐQT	18/12/2018	Approved the result of conducting confidence vote.
18	02/12/2018/NQ-HĐQT	20/12/2018	Approved 2017 profit distribution plan of PVD Baker Hughes.
19	03/12/2018/NQ-HĐQT	26/12/2018	Approved to discharge and make a new appointment.
20	04/12/2018/NQ-HĐQT	28/12/2018	Approved to assign the acting position of PV Drilling' BOD.
21	05/12/2018/NQ-HĐQT	28/12/2018	Approved PVD Baker Hughes business plan; approved to amend and supplement the Charter, the joint venture contract of PVD Baker Hughes.



Report on Corporate Governance (continued)

III. Transactions between related persons of PV Drilling with PV Drilling:

1. Transactions between PV Drilling and related persons; or between PV Drilling and major shareholders, internal persons, related persons of internal persons: *No transaction.*

2. Transactions between PV Drilling's internal persons, related persons of internal persons and subsidiaries, companies that PV Drilling take control: *No transaction.*

3. Transactions between PV Drilling and other parties: *No transaction.*

4. Transactions between companies and companies which BOD member/BOS member/President & CEO has been founding member or working as BOD member, CEO during the past 3 years (at the time of making this report): *No transaction.*

5. Transactions between companies and companies which related persons of BOD member, BOS member, President & CEO has been BOD member or Chief Executive Officer: *No transaction.*

6. Other transactions of PV Drilling (if any) which can bring benefits whether material or non-material to BOD, BOS member or President & CEO: *No transaction.*

In 2018, PV Drilling management team actively coordinated with each other in implementation of its business operation, ensuring all activities in compliance with their functions.

V. Stock transactions of internal persons and relater persons of internal persons:

No.	Names	Relationship with internal persons	Number of shares owning at beginning period		Number of shares owning at ending period		Reason for increasing/decreasing (purchase, sell, switch, reward...)	Date of transaction
			No. of shares	Percentage (%)	No. of shares	Percentage (%)		
1	Mr. Do Van Khanh	Brother of Mr. Do Van Khanh- Chairman	4,400	0	2,400	0	Sell	20/02/2018
2	Mr. Do Duc Chien	Vice Chairman	15,414	0	414	0	Sell	13/4/2018
3	Mr. Ho Ha Trung	Brother of Mr. Ho Vu Hai- Vice President	0	0	13,000	0	Purchase	29/5/2018
4	Mr. Ho Ha Trung	Brother of Mr. Ho Vu Hai- Vice President	13,000	0	0	0	Sell	25/6/2018
5	Mr. Dao Ngoc Anh	Vice President	17,798	0	798	0	Sell	30/8/2018
6	Mr. Do Danh Rang	Vice President	75,462	0	46,992	0	Sell	10/10/2018
7	Mr. Dao Van Minh	Independent member of the BOD	2,761	0	261	0	Sell	8/10/2018
8	Mr. Van Duc Tong	Independent member of the BOD	37,134	0	17,134	0	Sell	15/10/2018
9	Mrs. Tran Thai Thanh	Mr. Do Danh Rang's wife - Vice President	2,200	0	2,200	0	Do not sell as price doesn't meet the expectation.	01/11/2018
10	Mr. Tran Duc Canh	BOS member	2,550	0	2,550	0	Do not sell as price doesn't meet the expectation.	07/11/2018



Financial Highlights

Trading volume and share price of PVD in 2018

PVD stock

Lowest price

11,950

VND/ share

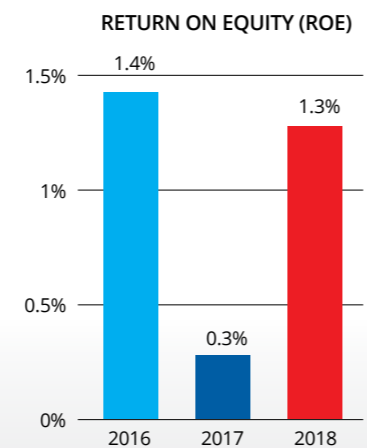
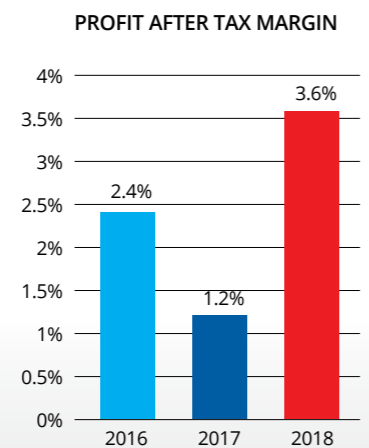
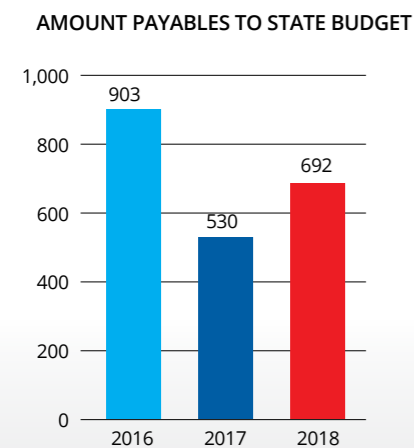
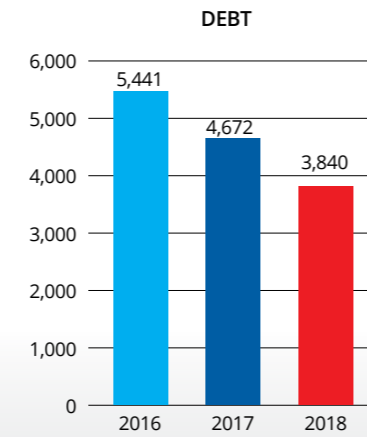
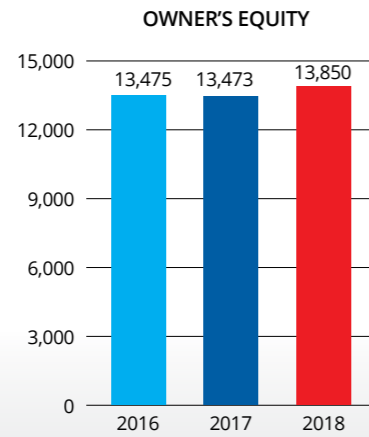
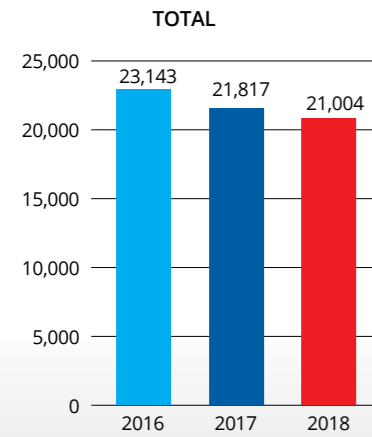
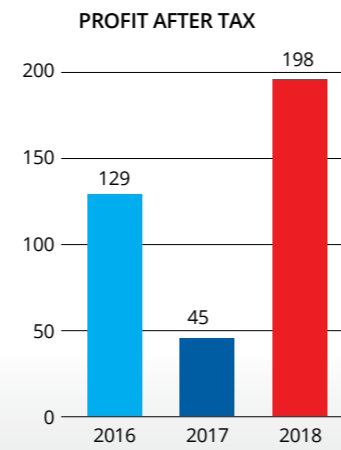
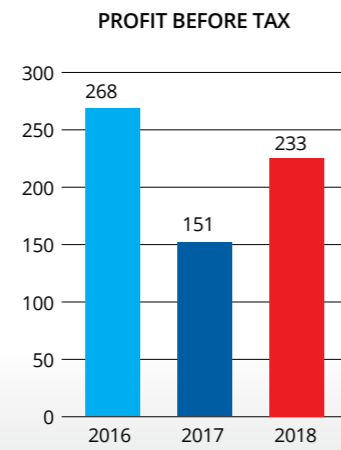
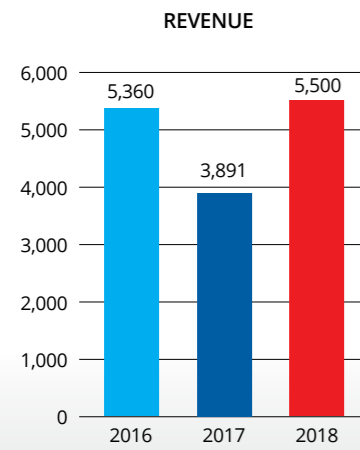
Highest price

31,000

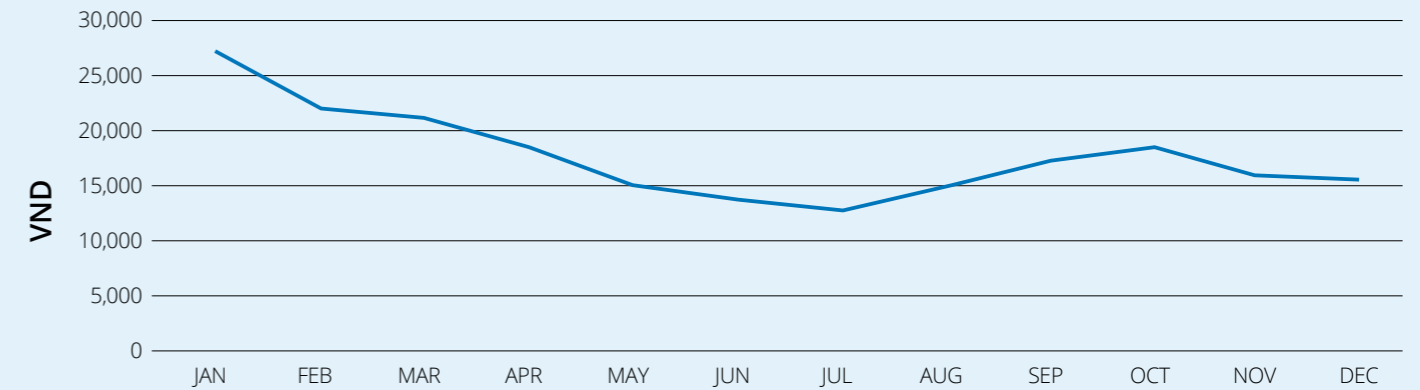
VND/ share

(data were collected from 01/01/2018 to 31/12/2018).

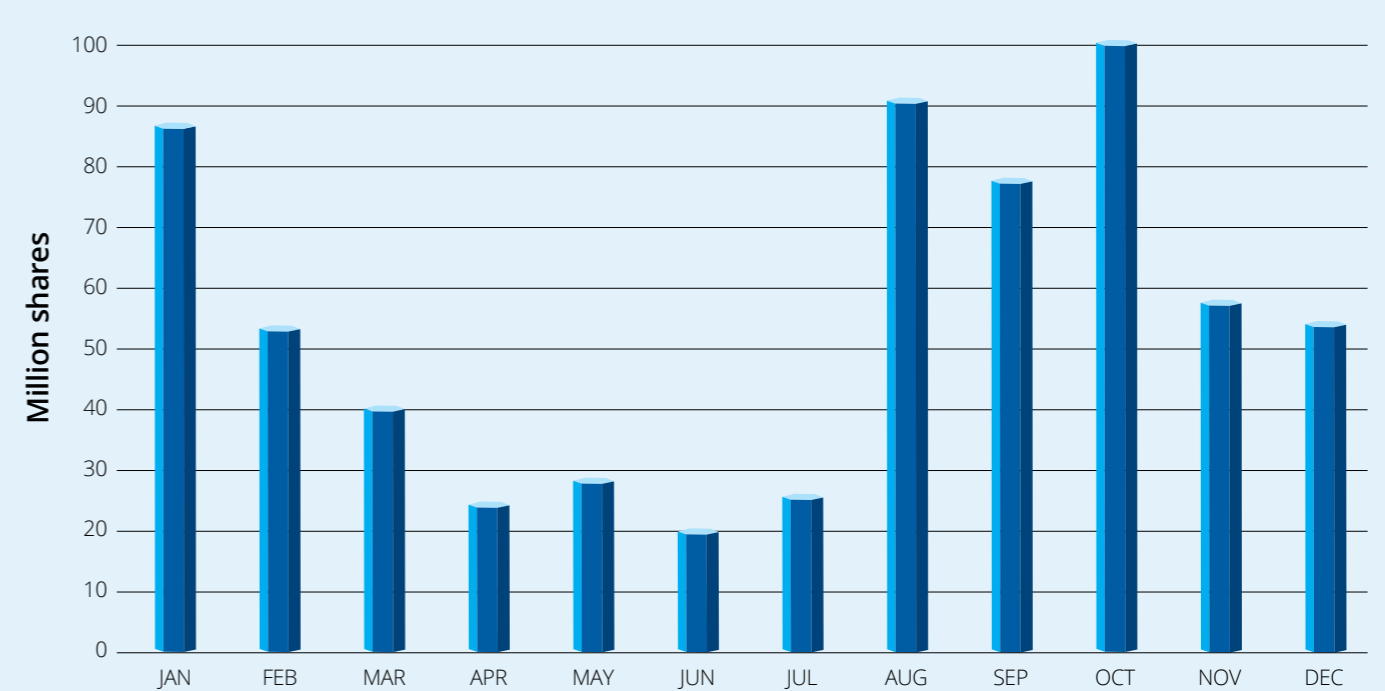
- PetroVietnam Drilling and Well Services Corporation (PV Drilling)
- Stock: PVD
- Listed on HOSE at 25/12/2006.
- Financial year ended on 31/12/2018
- Independent audit company: Deloitte Viet Nam
- Highest price of PVD share: 31,000 VND/ share



PVD's share price in 2018



PVD's monthly trading volume



Charter Capital/ Shareholders

STRUCTURE

	Shares
Number of common shares issued to public	383,266,160
Number of common shares in circulation	382,850,160
Number of restricted common shares (*)	54,835,107
Number of transferable common shares	328,015,053
Par value (VND/share)	10,000 dong

(*): Including 54,832,000 shares owned by PetroVietnam, which has been restricted (that have not been adjusted) as well as 3,050 shares of employees that have not been adjusted due to updated ID.

SHAREHOLDERS' STRUCTURE

(Updated list of shareholders as of 27/03/2019)

	Number of shares	Ratio
DOMESTIC	301,918,976	
Petrovietnam (State shareholder)	193,179,459	50.40%
Other organizations	4,877,923	1.27%
Individuals	103,861,594	27.10%
FOREIGN	80,931,184	
Organizations	77,857,674	20.31%
Individuals	3,073,510	0.80%
Total	382,850,160	

LIST OF MAJOR SHAREHOLDERS

	Number of shares	Ratio
Petrovietnam (State shareholder)	193,179,459	50.4%

CHANGE IN SHARE CAPITAL

Description	Date of issue	Number of shares	
Initial	Initial Public Offering	28/11/2006	68,000,000
1	Dividend by stock and new common share issuance	11/7/2007	9,519,730
2	New common share issuance	7/8/2007	1,340,000
3	New common share issuance	22/08/2007	31,280,000
4	Dividend by stock with ratio 20% / par value	26/06/2008	22,027,774
5	Merge PVD Invest into PV Drilling	14/10/2009	25,716,285
6	Dividend by stock with ratio 10:3	8/1/2010	52,624,426
7	Private placement	13/08/2013	38,000,000
8	Issuance of shares by ESOP	15/11/2013	2,000,000
9	Dividend by stock with ratio 10% / par value	23/12/2013	25,020,480
10	Dividend by stock with ratio 10% / par value	18/09/2014	27,544,655
11	Dividend by stock with ratio 10% / par value	25/08/2015	45,392,909
12	Dividend by stock with ratio 10% / par value	09/11/2016	34,799,901
Total			383,266,160

Please refer to charter Audited financial statements, section Equity for more details of Shareholders' structure, change in share capital.

TREASURY

	Unit
Number of treasury shares as of (01/01/2018)	416,000
Number of treasury shares in period	-
Number of treasury shares as of (31/12/2018)	416,000

DIVIDEND PAID

PV Drilling continuously implements the stock dividend payment plan of 2017 with rate of 10% in 2019, as article 4 of Decision No. 01/2018/NQ-DHDCD dated 27th Apr 2018.

Subsidiaries

	PVD DRILLING DIVISION	PVD INVEST	PVD OFFSHORE	PVD LOGGING	PVD WELL SERVICES	PVD DEEPWATER	PVD TECH	PVD TRAINING	PVD BAKER HUGHES	PVD TUBULARS	BJ - PVD	PVD OVERSEAS	PVD EXPRO	VIETUBES	PVD OSI
HEADQUARTER	3 rd Floor, 111A Pasteur, District 1, Ho Chi Minh City	22 nd Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City	43A Street 30/4, Ward 9, Vung Tau City, Ba Ria Vung Tau Province	10 th Floor, 111A Pasteur, District 1, Ho Chi Minh City	12A Floor, Vincom Center, 47 Ly Tu Trong Street, District 1, Ho Chi Minh City	5 th Floor, 111A Pasteur, District 1, Ho Chi Minh City	8 th Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City	Road No.1, Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau.	10 th Floor, 111A Pasteur, District 1, Ho Chi Minh City	Phu My 1 Industrial Zone, Tan Thanh Ward, Ba Ria - Vung Tau Province	65A, Street 30/4, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province	9 Temasek Boulevard # 31-00 Suntec Tower 2, Singapore	65A, Street 30/4, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province	Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria Vung Tau Province	Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria Vung Tau Province
CORE BUSINESS	Manage and operate the rig fleet of PV Drilling Corporation (PV DRILLING I, II, III & 11) and the leased rigs.	Supply manpower and qualified technical services for exploration...	Drilling Manpower Supply Service, Inspection, Maintenance and Workshop Service and Oil Spill Response Service...	Provide advanced technology services in Drilling Operations for the Oil and Gas Industry including Mud Logging, Slick-line & Cased Hole Logging, Well Testing and Provision of Geological Specialists...	Provide well technical services, tool rental, tubular running, manage pressure drilling, solids control...	Manage and operate the advanced technology Semi-Submersible Tender Assist Drilling Rig (TAD)	Engineering and manufacturing equipment skid; providing Surface/ Subsea wellhead and mudline rental services, providing full range of Conductor services and trading services for oil and gas industry	Training, certification for petroleum, manpower supply and technology and marine safety equipment...	Supplying a wide range of services such as directional drilling and logging while drilling, drill bits, electric logging, liner hanger...	Provision of oil country tubular goods (OCTG) and total tubular management (TTM) services for Oil and Gas Companies	Provision of coiled tubing service, cementing service, stimulation service, hydraulic fracturing service and fluid filtration services...	Investing, operating the modern offshore rig PV DRILLING VI, aiming for potential markets in the region and beyond	Provision of exploration well testing, production well clean-up, subsea test tree & subsea lubricator, surface PVT sampling and bottom hole sampling, sand control at surface for exploration and production and early production services.	Threading, processing, repairing, restoring (including: threading, thread inspection, tubular unclogging, magnetic particle test, pressure test, tubular cleaning and coating), casting tubes, drilling collars, drilling pipes, conducting pipes and accessories for oil and gas industry	Manufacturing, supplying and threading of API and proprietary connectors.
CHARTERED CAPITAL	— billion VND	— billion VND	130 billion VND	80 billion VND	80 billion VND	764 billion VND	200 billion VND	28.9 billion VND	20 million US dollars	3.5 million US dollars	5 million US dollars	66.7 million US dollars	6.4 million US dollars	3.7 million US dollars	5 million US dollars
OWNERSHIP	100%	100%	100%	100%	100%	100%	97%	51.8%	51%	51%	49%	80%	51%	51%	51%

As of December 31st, 2018, PV Drilling has a total of 15 subsidiaries including 2 Divisions, 4 wholly-owned subsidiaries, 2 joint stocks, 7 joint ventures and 4 overseas representative offices.

Subsidiaries (continued)

PVD Drilling Division (PVD DD)



Vietnamese's name: **Xí nghiệp Điều hành khoan**
English's name: **PVD Drilling Division (PVD-DD)**

3rd Floor, 111A Pasteur, District 1, Ho Chi Minh City

Manage and operate the rig fleet of PV Drilling Corporation (PV DRILLING I, II, III & 11) and the leased rigs.

Revenue
2.106 Billion VND

Ownership
100%

2018 is the year to affirm PVD – Drilling Division's abilities and achievements in service expansion to overseas markets. Apart from such a familiar market as Algeria, PVD – Drilling Division has also delivered its premium services in Thailand and Malaysia. After completing the two short-term drilling contracts for PCSB and IPC in Malaysia, PV Drilling engaged into the 2-year contract to provide drilling service for Repsol from end of March 2018 with an additional option of one more year operation.

PVD - Drilling Division's revenue in 2018 reached VND 2,106 billion, increasing 19% compared to 2017, in which foreign markets contributed to VND 698 billion (VND 430 billion from Malaysia, VND 175 billion from Algeria, and VND 93 billion from Thailand). In addition to the target of increasing market shares in the region, drilling campaigns at overseas markets have largely contributed to PVD Drilling Division's EBITDA. In 2018, EBITDA reached VND 264.4 billion, 1.64 times higher than 2017 (excluding provisions for bad debts and inventories devaluation).

In the domestic market, PVD - Drilling Division continued to promote its strengths in connecting different service providers to provide "integrated contracts" to clients, such as POVO and Thang Long, which contributed VND 345 billion to PV Drilling's revenue.

Together with cost reduction, the provision of logistics for international drilling contractors by using available human resources is also included in the "cost optimization" strategy

of PVD – Drilling Division's management team (Saipem project contributed about VND 9.2 billion revenue with the ratio of profit before taxes of 11%).

At PVD – Drilling Division, debt collection has been strictly conducted. In 2018, account receivables decreased by 24% compared to 2017, as a result of VND 290 billion of bad debt collection from PVEP POC.

Consequently, 2018 can be considered a year of success for PVD-Drilling Division in term of its business performance and human resources management on comparison with 2017. In 2018, we had 4 out of 6 rigs operating in foreign markets, which helped to considerably increase the workload of all related departments. On the contrary, cultural differences when working with Muslim partners, difficulties arisen from legal issues of host countries, Vietnam State Bank policies of foreign investment capital, Corporation's cost reduction target ... have put more pressure on PVD - Drilling Division's management team. Understanding such difficulties and pressures, all drilling campaigns were implemented along with words of encouragement from the management team to the staff; helping them to know more about current business conditions and how to contribute their devotion to the campaigns, how to build PV Drilling's prestige in the region. In this way, the staff will trust more on the direction of current management team and conduct their job with reasonable care and diligence. In addition, the staff has been more united and interconnected to confront with challenges and obstacles.



Based on the achievements of the previous years and 2018, PVD – Drilling Division is proud to be definitely the leader in bringing the brand name "PV Drilling - Pioneer of Vietnam Drillers" to the



world. With the current labor workforce, PVD – Drilling Division's management team is confident to be able to fulfill all the targets the Corporation assigned.

Subsidiaries (continued)

PVD INVEST



Vietnamese's name: **Xí nghiệp Dịch vụ Đầu tư Khoan dầu khí**
English's name: **PVD Invest**

-  22nd Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City
-  Supply manpower and qualified technical services for exploration...

Revenue
807 Billion VND

Ownership
100%

With deepest supports from PV Drilling, the reliability of customers on quality of services provided and relentless efforts of all management and staff, PVD Invest has fulfilled 2018 business plan assigned by PV Drilling. Especially, the impressive and outstanding achievement of 2018 was the unity, belief and high productivity which we have maintained and risen up in the arduous context and job uncertainty.

The year 2019 is forecasted still a challenge year with continuously decline in term of work volume and unit rate coming from fierce competitions. To maintain business activities and ensure jobs for all employees, PVD Invest defines saving costs, building unity and trust, and especially maintaining service quality are company's solutions.

Moreover, PVD Invest has proactively reduced the costs; narrowed down company office. At PVD Invest, people are always our priority. To enhance employees' enthusiasm and engrossment, BOD always pay high attention to employees, timely encouraging and acknowledging the contribution of each individual, thereby, creating united and confident workplace toward sustainable development the company.

For clients, PVD Invest always actively propose/offer the most effective solutions to meet their requirements including emergency situations at the most reasonable cost with the purpose of sharing difficulties with customers in current arduous context.

The division is always consistent in its business strategy; tries to expand domestic market proportion for its core services such as Professional Manpower, Mud Cooling system, H2S Control, Habitat Safety, Control...; in parallel, continuously seeks work opportunities to develop technical services such as GTS for WHPs ... ; and focuses on Safety - Health - Environment - Quality and human resources development.

PVD Invest always actively propose and offer the most efficient solutions to meet clients' expectation and requirements.





Subsidiaries (continued)

PVD OFFSHORE



Vietnamese's name: Công ty TNHH Dịch vụ Kỹ thuật Dầu khí Biển PVD
English's name: PVD Offshore

-  No. 43A, 30/4 Street, 9th Ward, Vung Tau City.
-  Inspection, Maintenance and Workshop Service; Drilling Manpower Supply Service and Oil Spill Response Service.

Charter capital

130 Billion VND

Revenue

428.6 Billion VND

Ownership

100%

In 2018, the oil price had recovered signal with the average of USD 71.00/barrel and recorded up to USD 86.07/barrel in October. This is a really positive signal for the oil and gas industry, giving momentums to the production and exploration campaigns after a period of low activities. Consistently, 2018 is also a successful year of PVD Offshore with revenue of VND 428.6 billion and profit after tax of VND 54 billion, fulfilling its business plan assigned by the PV Drilling Corporation. In which, company's core services maintained a stable development, ensuring jobs for employees, specifically as follows:

- Drilling Manpower Supply Service: PVD Offshore has provided a considerable number of crews working in the drilling rigs. The company has maintained the stability in providing services to clients. Within the year, the company has provided manpower for 07 drilling rigs in Vietnam and one rig in Malaysia. Besides that, the company also provided more than 30 crews for geothermal drilling sector in Japan; and the first time, provided 10 personnel working in Japanese offshore rigs. Although the number of employees provided is not high yet, this was considered as a significant achievement in developing manpower supply service to overseas market, proving capability of Vietnamese labor as well as the reputation of the company at a high standard market like Japan.

- Inspection, Maintenance and Workshop Service: PVD Offshore has faced with various difficulties coming from the fierce competitions of the rivals that led to customer's requirement for price reduction. The fact that drastically decreasing of workload compared to previous years and the continuously decrease of service prices has forced the company deploy working rotation for all workers to maintain company's business activities. However, the company has put great effort to complete the valuable orders for Rosneft, JVPC, Hoang Long - Hoan Vu ...

- Oil Spill Response Service: 2018 was a tough year for this service due to fierce competition from traditional and new coming rivals that created pressure on price adjustment. Despite that, the company has always maintained the service quality and offering a competitive price. Meanwhile, the company has also expanded to provide the services for oil retail companies based on its own strengths and resources.

Although, having utmost difficulties and challenges in 2018, PVD Offshore has tried their best to accomplish assigned business plan, meanwhile, maintained the enthusiasm and untiring perseverance in works which will be the supports for the company achieving new successes in coming year.



Subsidiaries (continued)

PVD LOGGING



Vietnamese's name: Công ty TNHH MTV Địa vật lý giếng khoan Dầu khí PVD
English's name: PVD Logging

- 10th Floor, 111A Pasteur, District 1, Ho Chi Minh City
- Provide advanced technology services in Drilling Operations for the Oil and Gas Industry including Mud Logging, Slick-line & Cased Hole Logging, Well Testing and Provision of Geological Specialists...

Charter capital

80 Billion VND

Revenue

410 Billion VND

Ownership

100%

Petroleum Well Logging Company Limited (PVD Logging), a wholly-owned subsidiary by Petrovietnam Drilling and Well Services Corporation (PV Drilling) provides advanced technology services for petroleum exploration and exploitations such as Mud Logging, Slick-line and Cased Hole / Production Logging, Well Testing, Wellsite Geologists equipment and services.

As a result from several actions from OPEC and Russia, the crude oil prices have bottomed out and the improvements have begun. However the oil prices plunge over years and the slow and unstable recovery have been still causing doomy picture on oil and gas industry across the globe.

The oil and gas companies have carried out their drilling activities on exploration and evaluation wells in the planned areas but have yet intended to drill in other locations especially in the South East Asia. In addition, PVD

Logging is facing a severe competition in bidding prices from strong financial international competitors.

In spite of the difficulties, PVD Logging has closed its 2018 business activities with impressive numbers by reaching large revenue from its Well Testing, Slickline and TCP services. The revenue exceeds VND 410 billion exceeding 70% of its target and the profit after tax is more than VND 80 billion, exceeding 428% of its plan.

It is the fact that oil price recovery is still slow; PVD Logging will consider 2019 the turning point for its organizational restructuring, available resources development and optimization to sustain its competition and development. PVD Logging will also continue its investments on the advanced technology equipment and application of sciences into its operation activities to enhance service quality, standing firm in the domestic market and reaching regional customers.

In spite of the difficulties, PVD Logging has closed its 2018 business activities with impressive numbers by reaching large revenue from its Well Testing, Slickline and TCP services.



Subsidiaries (continued)

PVD WELL SERVICES



Vietnamese's name: Công ty TNHH MTV Dịch vụ Giếng khoan Dầu khí PVD
English's name: PVD Well Services



12A Floor, Vincom Center, 47 Ly Tu Trong Street, District 1, Ho Chi Minh City



Provide advanced technology services in Drilling Tools Rental, Casing & Tubing Running, Managed Pressure Drilling, Filtration...

Charter capital

80 Billion VND

Revenue

216.2 Billion VND

Ownership

100%

Although there have been some positive changes in the oil and gas market in 2018, PVD Well Services' workload remained at low level due to the fact that most of oil companies kept delaying, cancelling their drilling campaigns or conducting only some short-term ones. To be worse, one of our highly potential customers, Repsol suddenly stopped drilling and liquidated Ca Rong Do project, which dramatically decreased our workload.

Meanwhile, contracts in 2018 were mostly processed under bidding, PVD Well Services faced fierce competitions in term of such all core services as Casing and Tubing Running, Drilling Tools Rental, Managed Pressure Drilling from overseas competitors who did not have sufficient jobs in their local markets and trying to approach Vietnam market. They offered very low bidding prices or even devalued to grab the market share in Vietnam, which forced PVD Well Services to decrease our prices sharply from 15% to 30% compared to 2017.

Coping with challenges in 2018, PVD Well Services was determined to successfully maintain 100% market share in Vietnam for Casing and Tubing Running Service, Drilling Tools Rental and won almost crucial contracts. Furthermore, PVD Well Services has associated with other subsidiaries to participate in a wide range of integrated contracts to provide TLJOC, POVO with P&A services. Contemporarily, PVD Well Services kept on retaining our capacity and service quality through the excellent completion of service requirements for customers with

high results and positive feedbacks. Specifically, PVD Well Services has successfully supplied JVPC with Dual Completion Casing and Tubing Running service, which was highly appreciated and complimented.

Especially, the year of 2018 marked the promising development of expanding drilling services to foreign countries. PVD Well Services took part in many biddings of Casing and Tubing Running Service for regional countries, such as Kris Energy in Cambodia, TOTAL in Iran, PTTEP in Myanmar, REPSOL in Malaysia and PGPC/Tesco in Philippines; maintained Tools Rental contracts in Thailand, Malaysia and UAE markets through Baker Hughes, Destini and OWS partners. The most outstanding achievement was the successful negotiation with Destini in providing Casing and Tubing Running Tools Rental service in Pakistan from January 2019 and supplying OWS with Casing and Tubing Running Manpower in Saudi Arabia from December 2018. In order "to stand steady against challenges" and fulfill all targets in this bleak condition of the Oil and Gas market, with the determination, solidarity and effort, PVD Well Services has not only successfully maintained our 100% market share, but also expanded to the world. Along with focusing on remaining and improving service quality provided to customers, safety is always our top priority with the proof that PVD Well Services has excellently recorded 2.8 million of Zero LTI last year. The most important thing is that PVD Well Services became the sole Oil & Gas Company in Vietnam achieving Quality Management Certificate in accordance with API Q2 in



2018. Moreover, PVD Well Services succeeded in holding a training course of how to operate hi-tech Casing and Tubing Running tools (CRTI) for the skillful engineers, which helps us master in the new technology and get ready for investing a new CRTI set in 2019 in order to step by step enhance our internal values for offering the core services.

With the purpose to boost the effectiveness of business operation, PVD Well Services pays more attention to control and sharply cut down business expenses, focus on debt collection and temporarily pend some unnecessary investment projects.... Consequently, PVD Well Services gained positive business results in 2018 with the revenue of VND 216.2 billion and the profit of VND 41.3 billion, which exceeded the target assigned by PV Drilling. This is really a complimentary outcome for PVD Well Services in such a challenging and demanding Oil & Gas market nowadays.

The year of 2019 is forecast to witness an unstable domestic oil & gas market, an expected fluctuation of oil price, with unavoidable delay or cancellation of drilling projects until 2020 or later of SANTOS, Phu Quoc POC, VGP, CLJOC, STT Phase 2, Repsol, ExxonMobil..., domestic drilling market is supposed to

get 10 - 12 certain wells, a lower rate compared to 2018. Therefore, PVD Well Services plans to continuously confront with a number of challenges in business operation including a considerable decrease in domestic workload, lack of occupations, fierce competition with overseas rivals to get jobs which makes the price of some services dramatically decline, while we must retain personnel cost, machinery maintenance and repair. In addition, PVD Well Services has to strongly compete with private companies in case of low budget tenders that is appointed, not by bidding. Less but not least, developing services to overseas markets get serious difficulties due to tight protection policies of host countries, limited knowledge of new markets and rough competition among rivals in the same industry. PVD Well Services; furthermore, suffers the lack of competent engineers with high expertise in oil & gas field.

In order to overcome the upcoming challenges in 2019, PVD Well Services Management Team and the staff will definitely make all efforts to maintain our domestic market shares, developing core services to overseas markets with the purpose of finding jobs, enhancing finance management and minimize operation cost.... PVD Well Services are all determined to reach the targets that are approved by PV Drilling this year.

Subsidiaries (continued)

PVD DEEPWATER



Vietnamese's name: Công ty TNHH Một thành viên Khoan Dầu khí nước sâu PVD
English's name: PVD Deepwater

5th Floor, 111A Pasteur, District 1, Ho Chi Minh City

Manage and operate the advanced technology Semi-Submersible Tender Assist Drilling Rig (TAD)

Charter capital
764 Billion VND

Ownership
100%

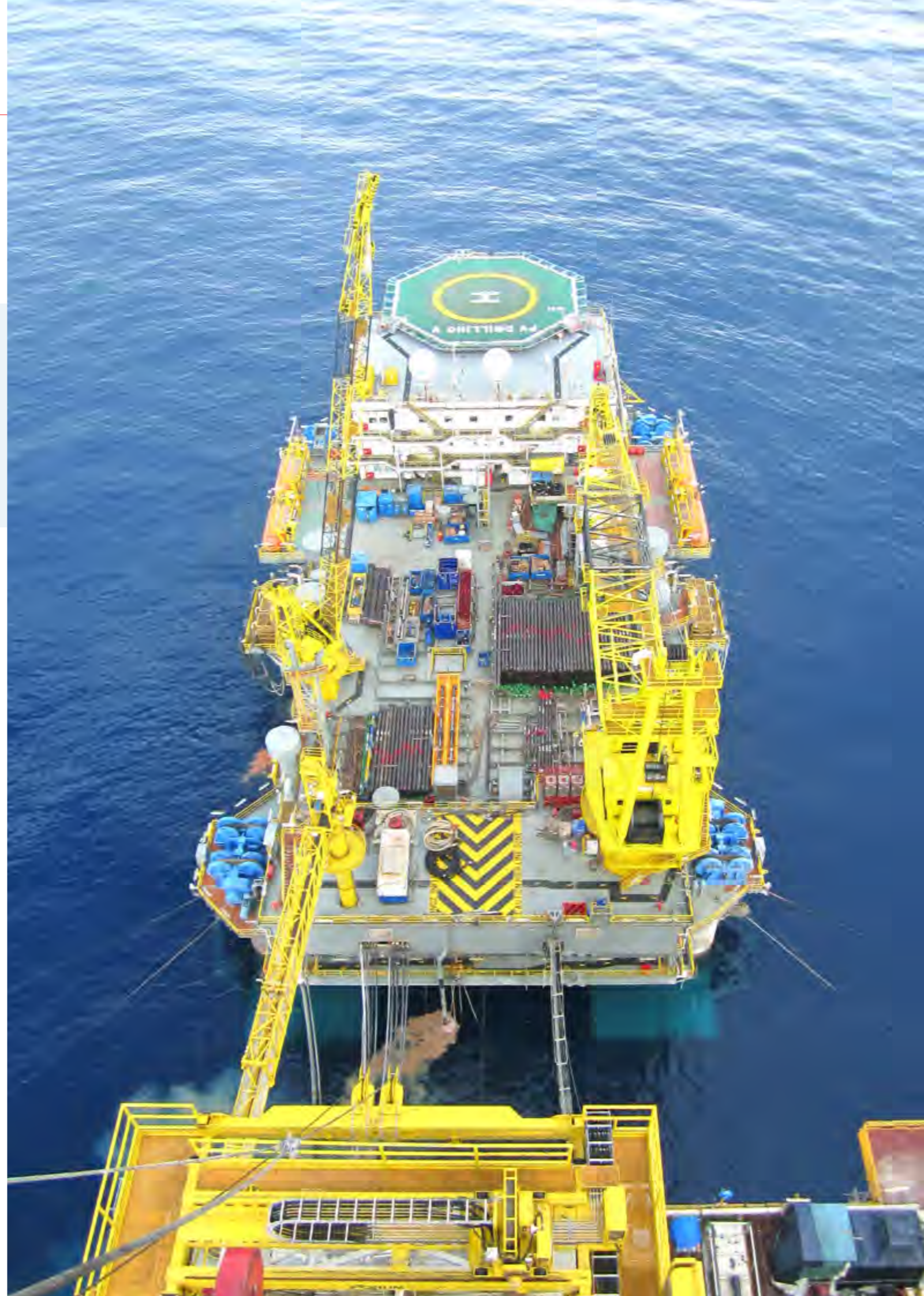
2018 is a very difficult year to PVD Deepwater when PV DRILLING V (TAD) has been in cold- stack status at PV Shipyard in Vung Tau port since end of drilling contract with BienDong POC. In order to cope with the recent difficulties, PVD DW board of management has determined maintenance and searching jobs for the rig are essential missions of the company, specifically as follows:

- Rig maintenance: rig maintenance is to protect and maintain the rig in a good condition; ensure the rig can be ready for operation upon requested for job with optimized cost.

PV DRILLING V (TAD) was completely built and put into services for deep water drilling campaign of Bien Dong POC. Currently, PV Drilling makes efforts searching jobs for this drilling rig both in Vietnam and oversea markets.

- Seeking for jobs: 2018 was a challenge year for PVD Deepwater, the efforts were made to prepare and participate in bidding PV DRILLING V rig for drilling campaign at Ca Rong Do of Talisman (now named Repsol) with a contract expected to begin in the third quarter of 2019 did not reach its final goal due to indefinitely postpone of Ca Rong Do project which coming from some objective reasons. This is a huge damage for PVD Deepwater since Vietnam market does not have demand for deep water drilling in this period. To find job opportunities for the rig, company Board of Management has promoted market research for deep and far waters both inside and outside Viet Nam as well as working with foreign partners for potential collaboration and operation of TAD rig.

Currently, the Company has streamlined its organization structure, specifically the total number of company employees at 31 Dec 2018 was only 14 people, in which 8 employees was in-charge in maintenance works. However, all employees always make their efforts fulfill all assigned jobs, especially the works related to protection, maintenance and safety for TAD rig. Besides that, cost controlling and reducing are always strictly performed at the company to minimize loss.



Subsidiaries (continued)

PVD TECH



Vietnamese's name: Công ty Cổ phần Thương mại và Dịch vụ Kỹ thuật khoan Dầu khí PVD
English's name: PVD Tech

- 8th Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City
- Engineering and manufacturing equipment skid; providing Surface/ Subsea wellhead and mudline rental services, providing full range of Conductor services and trading services for oil and gas industry

Charter capital

200 Billion VND

Revenue

1.672 Billion VND

Ownership

97%

In recent years, the fluctuation of the oil price has created negative impacts on PVD Tech's business activities. In 2018, the light recovery of oil price made PVD Tech gain certain achievements, Specifically, the Company reached turnover of VND1,672 billion and profit before tax of VND 21,5 billion, increasing respectively of 162% and 11% compared to the previous year. In order to achieve that result, despite of positive market factor, it comes mainly from our inner strengths which were built up and oriented by our Board of Directors together with the unity and solidarity of all employees.

With the motto of "reputation and quality are always our priority", PVD Tech constantly innovates and improves resources' quality, production technology and applies IT in management and operation to satisfy customers' demand. Moreover, PVD Tech also focuses on strengthening key services such as oil drilling services, EPCI services, and oil and gas trading services to reinforce our competitiveness.

Apart of accurate strategic orientation and acumen in business, the Board of Directors defined the solidarity and unity of all employees were the critical factors which brought that success to PVD Tech. To conquer current difficulties, PVD Tech timely implemented cutting cost solution, however, ensuring jobs and income for the workforces were always our concern to enhance employees' loyalty.

Four years of oil slump has been affected seriously on business activities of all oil and gas companies in general and PVD Tech in particular. Nevertheless, with the accurate strategic orientation and acumen in business together with the unity and solidarity of all employees, PVD Tech has gone over a year of steady against challenges, fulfilling business plan assigned by PV Drilling, making progresses compared to the year of 2016 and 2017. With the young, highly educated, enthusiastic and professional management and staffs, PVD Tech is confident to conquer the challenges; and along with parent company - PV Drilling continuously achieve new milestones in coming years.

With the motto of "reputation and quality are always our priority", PVD Tech constantly innovates and improves resources' quality, production technology and applies IT in management and operation to satisfy customers' demand.



Subsidiaries (continued)

PVD TRAINING



Vietnamese's name: Công ty Cổ Phần Đào Tạo Kỹ Thuật PVD
English's name: PVD Training

- 📍 Road No.1, Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau
- 📄 Training, certification for petroleum, manpower supply and technology and marine safety equipment...

Charter capital

28.9 Billion VND

Revenue

214 Billion VND

Ownership

51.8%

Founded in 2007, PVD Technical Training and Certification J.S.C. (PVD Training) is currently the region's leading provider in three core business services including Training & Certification, Labour Supply and Technical Services.

PVD Training is proud to be the leading training center in Asia offering a variety of safety and technical training programs under international standards for the marine and oil & gas industry. These programs are recognized by prestigious international organizations such as OPITO, LEEA, IRATA, API, etc. PVD Training is also the only training center in Vietnam accredited by IWCF (International Well Control Forum) as a training and certification body for technical training programs to control, improve and repair well. PVD Training has gradually affirmed its prestige, position and capacity through the provision of comprehensive solutions for professional, well-trained and fully skilled labor resources. PVD Training is also a pioneer in the oil and gas industry in providing technical consultancy services and safe technical solutions such as consultant services of safety management system, asset integrity management system, and evaluation quantify risks or providing safety equipment, fire protection and inspection services according to Vietnamese, and international standards including VR, BV, DNV-GL, ABS, LR. In 2018, in addition to traditional customers in the oil & gas industry, PVD Training has been very successful in boosting services to the non - oil & gas industry such as production, construction, energy etc. PVD Training's right direction in business development strategy is increasingly

strengthened by receiving high appreciation from its customers for its reputation and service quality.

Together with rapidly widespread development of the Industry revolution 4.0 over the world, PVD Training has followed the right and timely strategic direction to take initiatives and quickly grasp opportunities of this trend through the deploy online training model for a number of training courses including from safety awareness to technical training for all professions, especially for international standard training courses approved by OPITO such as AGT (Authorized Gas Testing) or Digital Delivery T-BOSIET / BOSIET. Up to now, PVD Training is the first and only training center in Vietnam, and is one of the few training centers in Asian region to be accredited by OPITO to have full capacity to provide these courses. PVD Training continues to maintain its strength in providing services to foreign markets and to be highly appreciated for its service quality and capacity by many foreign customers such as Myanmar, Qatar, UAE, Korea, Japan, Egypt, France, UK, Belgium etc. For many years, PVD Training has continuously received many awards voted and granted by prestigious local and international organizations. Especially, in 2018, overcoming nearly 200 training centers worldwide, PVD Training was selected by Offshore Petroleum Industry Training Organization (OPITO), a leading prestigious organization of the world energy industry to be "Skilled for Safety Champion" and "2018 OPITO Leadership Award".



Year of 2018 also marked as a successful year for PVD Training. It has completed the annually production and business plan, company's revenue and profit have increased in comparison to the previous year and therefore, PVD Training has created more jobs and ensured the living standard of its employees and their family, contributing to social stability. The long-term instability of oil prices over the past few years has caused many difficulties and challenges for oil companies in general and for the specific service providers such as PVD Training in particular. However, with the strategic vision, right orientation, effective plan, determined, decisive and profound action of the Management team in combination with the solidarity, belief and the best effort of the staff, PVD Training has successfully maintain resilient effort, overcoming all difficulties and challenges of 2018, helping PVD Training continue to grow and be stable in the last year.



In 2019, it is forecast for the oil and gas industry in general and for PVD Training in particular to have many difficulties and challenges, however, going along with challenges, there will be opportunities for PVD Training. With the spirit of Solidarity - Active - Creative, PVD Training will continue to focus on improving service quality, optimizing competitive strengths and continuous innovation to offer new services as well as optimal solutions for customers. In addition to maintaining the traditional market share, PVD Training will also focus on developing new markets and finding new customers. To do this statement, PVD Training will continue to promote the spirit of solidarity, overcoming difficulties, exerting all efforts, creating and innovating in all company's activities. These are very specific orientations and solutions of the Board of Directors, with a firm belief that PVD Training will overcome all challenges and seize opportunities in 2019 - the year that promises to bring success for PVD Training.

Subsidiaries (continued)

PVD BAKER HUGHES



Vietnamese's name: Công ty TNHH Liên doanh dịch vụ kỹ thuật giếng khoan PV Drilling và Baker Hughes
English's name: PVD Baker Hughes

-  10th Floor, 111A Pasteur, District 1, Ho Chi Minh City
-  Supplying a wide range of services such as directional drilling and logging while drilling, drill bits, electric logging, liner hanger...

Charter capital
20 Million USD

Revenue
710 Billion VND

Ownership
51%

In 2018, exploration and production activities in Vietnam remained at a very low level, the drilling plans of customers were canceled, PVD Baker Hughes continued to face many difficulties and challenges coming from competition fierce with foreign service providers, which led to reduce prices from customers while operating costs are not reduced. In the context of many difficulties, PVD Baker Hughes still strived to archive business plan in 2018 with revenue of VND 710 billion and profit after tax of VND 89 billion (pre-audit data).

Importantly, 2018 is the seventh consecutive year that PVD Baker Hughes maintains absolutely safe operations. In Vietnam, PVD Baker Hughes is always the first choice of customers in drilling related services. With quality and prestige service, PVD Baker Hughes is proud to occupy a high market share in the local market, in which it has occupied 100% market share of fishing services, 50-80% market share for all the remaining services such as Liner hanger services, wireline services and Directional drilling & Measurement While Drilling services. Furthermore, PVD Baker Hughes collaborated with PV Drilling to successfully provide bundled services for the well abandonment campaigns of Premier Oil Vietnam and Thang Long JOC as a premise for developing the type of risk sharing service with customers in the future. In addition, in 2018 PVD Baker Hughes added cement service, stimulation... from BJ-PV Drilling Joint Venture to PVD Baker Hughes's scope of work as BJ-PV Drilling Joint venture's contract is expired after 12 years of operation in accordance with the resolution No. 601/08/2018 / NQ-HDQT of PV Drilling's Board of Management.

PVD Baker Hughes managed to achieve the above remarkable results as the Company has built high quality Vietnamese manpower resources to replace foreign experts in all positions. The company's human resources are not only highly appreciated by customers but also trusted by BHGE's system in the world. In addition, the boldly investing in upgrading facilities in Vung Tau with the desire to meet the increasing demands of customers and strictly control operation costs are also important factors to help PVD Baker Hughes enhance a competitive advantage from which to maintain the market share.

Although the oil and gas drilling service market in Vietnam is forecast to continuously fluctuate in the coming years. Both local and international staff of PVD Baker Hughes will be completely united in our common goal, firmly overcome all difficulties, challenges, maintaining effective operating activities, contributing to the business results of PV Drilling.

In Vietnam, PVD Baker Hughes always the top choice of customers in drilling related services. With quality and prestige service, PVD Baker Hughes is proud to occupy a high market share in the local market



Subsidiaries (continued)

PVD TUBULARS MANAGEMENT



Vietnamese's name: Công ty TNHH Cấn ống khoan Dầu khí Việt Nam
English's name: PVD Tubulars Management

- Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria – Vung Tau Province, S.R Vietnam
- Provision of oil country tubular goods (OCTG) and total tubular management (TTM) services for Oil and Gas Companies

Charter capital
3.5 Million USD

Revenue
515 Billion VND

Ownership
51%

PVD Tubulars Management Ltd., Co. (PVD Tubulars) is a Joint Venture between PV Drilling (51%) and Marubeni-Itochu Tubulars Asia Pte., Ltd. (49%), specializing in supply of Drill-Pipe, Casing, Tubing, Coupling (OCTG) with wide range of different connections (from API to Premium connection) and providing Procurement Agent Service and Total Tubular Management Services (TTM services) for all Oil & Gas Companies operating onshore, offshore and deep-water areas in Vietnam and South East Asia.

Since establishment in 2008 to present, with continuous endeavors and great development in its business scale, capital and manpower, PVD Tubulars has risen up to be a well-known, capable and reliable Contractor for provision of Oil & Gas equipment for many big Oil & Gas projects in Vietnam. PVD Tubulars, with footprints spreading around Vietnam, has been accounted for approximately 80% OCTG market share in Vietnam. So far, PVD Tubulars has signed and executed successfully many high-valued commercial contracts to supply OCTG to all Oil & Gas Companies (Operators) operating in Vietnam. We are rated as the most reliable and high quality OCTG supplier and services provider in Vietnam.

Currently, our modern workshop and storage yard invested by PVD Tubulars with 30,000 square meter in Phu My I Industrial Zone, Tan Thanh district, Ba Ria Vung Tau province have met most of needs and demands of Operators in term of storage yard, maintenance, fabrication and refurbishment of OCTG products. In addition, we have proudly initiated and developed successfully Procurement Agent Service that we are on behalf of our esteemed customers to arrange full of the necessary procedures required by law to purchase the requested OCTG. The procedures shall consist of invitation Bidders to Tender, evaluation and selection of the best Bidder as per strictly required criteria approved

by the customers and Contracting with the successful Bidder. Followed by the Procurement Agent Service, we shall provide our exclusively effective Total Tubular Management Service (TTM service) that all activities relates to OCTG including storage yard, manpower, inventory management, maintenance, transportation, etc. will be provided in one package only. This service will help the Operators save plenty of time and costs. As a result, 100% customers used our TTM services satisfied and gave us a high rating feedback. Especially, in 2018, PVD Tubulars promoted successfully Casing Accessories and signed some Contracts to supply this new product to Operators in Vietnam.

In 2018, there are a lot of difficulties for our business due to the bad economic conditions in Vietnam and in the world. Especially, the PVD Tubulars' business has been affected very badly because of the significant dropping and low scale of crude oil price in Vietnam particular and the world in general since year 2014. Moreover, the competition in OCTG market in Vietnam is increasing dramatically with many Vietnam and foreign companies participating in this market. This has caused much more competitive and difficult for us to obtain every single Contract to supply the OCTG.

On the other hand, due to our narrow scope of services provision, PVD Tubulars has also faced a limitation in expanding to other services in Oil & Gas market. Although there have been so many mentioned difficulties, PVD Tubulars has constantly endeavored and maintained successfully our OCTG tendering activities to supply casing, tubing and all related products & services to all the Operators in Vietnam. Our sale revenue in year 2018 is VND 515 billion (148% increase compared to 2017 with VND 208 billion); Profit after tax is VND 1.4 billion regardless of general provisions.



Subsidiaries (continued)

BJ - PV DRILLING



Vietnamese's name: Công ty TNHH Liên doanh Dịch vụ BJ - PV Drilling
English's name: PV BJ - PV Drilling



65A, Street 30/4, Thang Nhat Ward,
Vung Tau City, Ba Ria Vung Tau Province



Provision of coiled tubing service,
cementing service, stimulation service,
hydraulic fracturing service and fluid
filtration services...

Charter capital

5 Million USD

Revenue

262 Billion VND

Ownership

49%

BJ Services - PV Drilling Joint Venture Company Limited has occupied almost all of the cement services market (50-60% market share) and 80-90% market share of stimulation and hydraulic fracturing services in Vietnam.

According to the investment license of BJ - PV Drilling issued by the People's Committee of Ba Ria - Vung Tau on September 28, 2006, the project duration is 12 years from the first day of the investment certificate. Accordingly, BJ - PV Drilling has officially expired the Investment License in September 28, 2018 after 12 years of operation under Resolution No. 01/08/2018 / NQ-HDQT dated August 6, 2018 of PV Drilling's Board of Management.

Currently, BJ - PV Drilling is on processing to complete the necessary procedures for liquidating.

Business results:

Despite only operating within the first 9 months of 2018, BJ - PV Drilling has continuously made efforts in providing and developing on specializing services to improve service quality and minimize transportation costs as well as optimize operating cost of customers. In addition, BJ - PV Drilling continues to receive trust from customers such as Vietsovetro, TLJOC ... when participating in many prestigious and highly effective drilling campaigns in the past years. Especially, Vietsovetro is highly appreciated on the quality of fracturing services provided in 2018. Accordingly, BJ - PV Drilling achieved VND 262 billion in revenue and VND 21 billion in after-tax profit in the first 9 months of 2018 (pre-audit data).

BJ - PV Drilling has occupied almost all of the cement services market (50-60% market share) and 80-90% market share of stimulation and hydraulic fracturing services in Vietnam.



Subsidiaries (continued)

PVD OVERSEAS



Vietnamese's name: Công ty TNHH PV Drilling Overseas
English's name: PV Drilling Overseas

9 Temasek Boulevard # 31-00 Suntec Tower 2, Singapore

Investing, operating the modern offshore rig PV DRILLING VI, aiming for potential markets in the region and beyond

Charter capital
66.7 Million USD

Revenue
304 Billion VND

Ownership
80%

PVD Overseas Joint Venture is the strategic subsidiary of PV Drilling Corporation, undertaking the critical mission of investing in modern drilling rigs, providing drilling services and premium technical services for clients in the regional and global markets. Established on April 4th 2013 via the cooperation with reliable partners in Singapore, PVD Overseas has been reinforcing a solid background in terms of infrastructure and human resource and accumulating the necessary premises to prepare for the transformation into a reliable drilling contractor capable of providing quality services for the drilling campaigns of clients.

PVD Overseas is the owner of the jack-up PV DRILLING VI – the latest modern rig in PV Drilling’s rig fleet. PV DRILLING VI was built in Singapore, completed on schedule in early March 2015 and commenced its first operation on 4th of March 2015. Throughout the past 4 years, PV DRILLING VI has achieved an outstanding record of performance and was certified by the Association of International Drilling Contractors (IADC) for its accomplishment of 4-year operation with Zero Lost-time Incident (LTI). With such impressive statistics on operation and safety aspect, PV DRILLING VI has established for itself a good reputation and gained the competitive edge in many tenders in Vietnam and Southeast Asia.

In 2018, the oil and gas industry has showed a clear trend of recovery, encouraging oil operators to increase the E&P budget and executing more drilling campaigns. It was also noticed that rig day rates as well as rig utilization were slightly improved. In such context, PVD Overseas

has successfully managed to provide PV DRILLING VI for many contracts including that of IPC (Lundin) in Malaysia, Rosneft, Cuu Long JOC and Vietsovpetro in Vietnam. During these drilling campaigns, PV DRILLING VI delivered an excellent operational efficiency over 99%, thus, earning the valuable trust from our clients.

However, despite a mild improvement of rig utilization compared with the previous years, the business performance of PVD Overseas had to endure significant pressure due to the unrecovered rig day rate. Accordingly, with the actual rig utilization of 83% in 2018, PVD Overseas yielded a revenue of 304 billion VND.

For year 2019, the drilling industry is forecast to continue a slow but steady recovery thanks to the global crude oil demand nailed at high level, potentially exceeding the threshold of 100million barrel/day. In order to improve the business performance, PVD Overseas shall strive with the utmost efforts to maintain the works for PV DRILLING VI on a continuous basis in Vietnam and Malaysia. Particularly, we shall also focus on operating the Rig safely and effectively, optimizing the management system, ensuring the strict compliance with the offshore safety policy, as well as well implementing cost-control measures. Simultaneously, PVD Overseas shall promote marketing the Rig, seeking new opportunities and reliable partnerships to develop a stronger rig fleet in order to timely catch up with the trend in the oil and gas industry in the upcoming years.



Subsidiaries (continued)

PVD EXPRO



Vietnamese's name: Công ty TNHH PV Drilling Expro International
English's name: PVD - Expro

📍 65A, Street 30/4, Thang Nhat Ward,
Vung Tau City, Ba Ria Vung Tau Province

📄 Provision of exploration well testing,
production well clean-up, subsea test tree &
subsea lubricator, surface PVT sampling and
bottom hole sampling, sand control at surface
for exploration and production and early
production services.

Charter capital
6.4 Million USD

Revenue
51.78 Billion VND

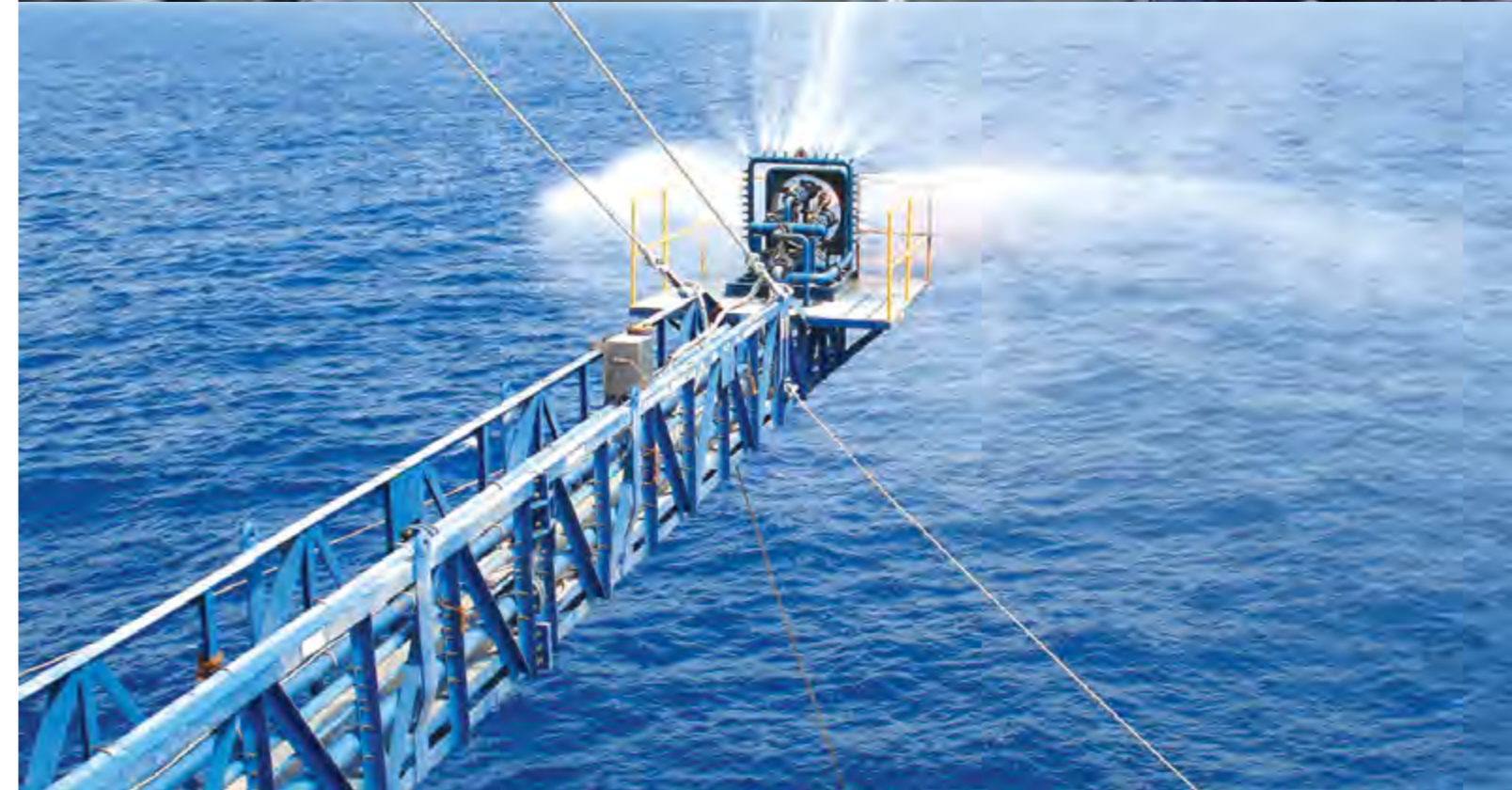
Ownership
51%

The oil and gas industry has experienced the business crash since 2016 and PVD Expro is not exception. The decreased oil price and restricted market has led to serious reduction of manpower and equipment rate charge, and competitors have been dumping services, the Company therefore has faced many difficulties in business.

With the priority goal of “stand still in the challenge” to maintain work and the production and business activities of the Company, the staff has been trying their best to achieve good performance in which the complexity as well as the high level of danger always exist. With the highest sense of responsibility, from preparation to implementation, PVD Expro has received trust and appreciation from domestic and foreign customers in providing them with well testing services in Vietnam market. In the last 2 quarters of 2018, the Company has provided well testing services to most of the “big” customers, such as Rosneft, Vietsovetro, Hoang Long-Hoan Vu, Cuu Long JOC ... and it has received trust and appreciation for the quality of service from customers and completed beyond the assigned plan with revenue of 51.78 billion VND and after tax profit of 18.36 billion VND, right at the beginning of the year.

Although 2018 observed a slight increase of crude oil prices in comparison with 2016 and 2017, it was still at low and unstable status, causing slow recovery in exploration and exploitation projects. In response to the above situation, the Company continued to cut cost and save. Customers' plans were implemented on schedule, along with a number of work requirements arising out of forecasts that were quickly processed and arranged as soon as possible, these were the main factors positively contributing to the results of business activities. Focusing on the flexibility in providing services and one-team spirit of employees also played important roles in the success of the Company. It was repaid when the Company's revenue in 2018 was higher than the plan, the staff's life thereby was improved in comparison with 2016 and 2017.

Continued with the 2018 achievements, the new year 2019 is predicted to face many difficulties ahead, PVD Expro team will make more efforts to “Take Untiring Perseverance” of solidarity, passion and creativity to keep its operation Safe - Efficient - Saving and ready to overcome the challenges of 2019.



Subsidiaries (continued)

VIETUBES



Vietnamese's name: Công ty TNHH Vietubes
English's name: VIETUBES

-  Road #11, Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City
-  Threading, processing, repairing, restoring (including: threading, thread inspection, tubular unclogging, magnetic particle test, pressure test, tubular cleaning and coating) casting tubes, drilling collars, drilling pipes, conducting pipes and accessories for oil and gas industry

Charter capital
3.7 Million USD

Revenue
94 Billion VND

Ownership
51%

Vietubes was established in 1995. Main lines of business are threading, processing, repairing, restoring casing tubes, drilling collars, drilling pipes, conducting pipes and accessories for oil and gas industry and marine engineering, etc.

PV Drilling has invested into Vietubes since 2012 with total of investment capital up to 51% (fifty-one percent) of investment capital of Vietubes.

The decline in world's oil prices in recent years has led to a sharp decline in demand and processing prices of Vietubes products. In 2018, the world witnessed a significant recovery of oil prices, but in general, it was still a difficult year for the oil and gas service industry when oil prices increased but still had unpredictable fluctuations with the highest level at the beginning of October being over 85USD/barrel, then dropped sharply to only about 51USD/barrel at the end of the year 2018. Although market had still been unstable, but it was directed closely by PV Drilling's leaders, Vietubes employees had made great efforts to overcome difficulties, maintain operations. Achieved results of revenue and profit exceeded its target in 2018, reaching 202% and 175% respectively compared to 2017.

In order to achieve positive results in 2018, beside processing for the domestic market, Company actively approached and initially had pipe processing contracts for export contributing to increase output and turnover. In addition to maintaining cost reduction for services and materials, rationalizing production and management procedure, Vietubes employees succeeded in promoting creative spirit and saving in order to maintain and increase labor productivity by 10-15%.

It is predicted that there will be many challenges in 2019, in the contrast, it also promises better prospects for Vietubes in output, revenue and profit. Vietubes will continue to maintain policies minimizing production and management costs, strengthening search for processing contracts for export with partners inside and outside joint ventures. Vietubes employees commit to unite, make great efforts to achieve to fulfill objectives and plan of the year 2019.





Subsidiaries (continued)

PVD - OSI



Vietnamese's name: Công ty TNHH Liên Doanh PVD Tech – Oil States Industries
English's name: PVD - OSI

 No.11 Road, Phu My 1 Industrial Zone, Phu My Ward, Phu My Town, Ba Ria - Vung Tau Province.

 Manufacturing, threading, repairing and maintaining all kinds of connectors in oil and gas industry.

Charter capital
5 Million USD

Revenue
20.75 Billion VND

Ownership
51%

In 2018, oil price has progressed more positively than 2017 and remained stable at an average of 68USD/ barrel. Some domestic projects began to be implemented again but still quite cautious. Some projects continue to be delayed or suspended such as O-Mon Block B, Red Dragon Fish ... Oil and gas industry in the whole world in general and Vietnam in particular has not been fully recovered, so it also affects to PVD - OSI's production, specializing in producing threading, machining various connectors for exploration & exploitation petroleum.

In the common difficult situation of the oil and gas industry, PVD - OSI has tried to provide solutions to overcome difficulties such as applying production improvement measures to improve productivity and minimize production costs. Though conducting cost cutting, the Company still committed to maintain the quality product through the extension of API Q1 and ISO 9001:2008 certification. The certification is a huge opportunity for PVD - OSI to uphold its competitive ability for the partners, inland and outland contractors, not only in threading connectors but also in other products in oil and gas and other industries.

With efforts, wholeheartedness of all PVD - OSI' employees, with the support from the Mother Company as PVD Tech, Oil States and PV Drilling Corporation, PVD - OSI has well achieved business in 2018 with the revenue of VND20.75 billion and profit after tax of VND5.23 billion, increasing correspondently of 41% and 2,367% compared to 2017.

In 2019, the oil and gas industry will still face with a lot of difficulties due to uncertainty of oil price. Therefore, the production and business activities of the Company will be more difficult than 2018 because some oil and gas projects continue to be delayed. Management Board of PVD - OSI will continue to improve management and operation appropriately; reduce production cost to minimum; promote PVD's spirit of "....." to conquer challenges. Concurrently, PVD - OSI will continue to work with Oil States and Customers with the objective of receiving more orders. The target of PVD OSI for 2019 is to gain higher profit than 2018 to contribute to the overall success of PV Drilling Corporation.

PVD Tech - Oil States Industries Joint Venture Co., Ltd (PVD - OSI) was established in 2011, PVD - OSI is a Joint Venture Company between PVD Tech (a subsidiary of PV Drilling Corporation) and Oil States Industries (Asia) Pte., Ltd. in which PVD Tech contributed 51% possessive capital. 2018 is considered a successful year of PVD - OSI, with revenue of 20.75 billion VND, after tax profit of 5.23 billion VND, increasing respectively of 41% and 2,367% compared to 2017.



DEFY THE CHALLENGES

"Fire proves gold, adversity proves men". Having faced utmost difficulties coming from oil slump, PV Drilling has still persevered and made efforts to overcome those challenges. Many strategic solutions have been performed timely, bringing certain successes to PV Drilling in 2018.

PV Drilling
ANNUAL
REPORT
2018

Oil and Gas Market in 2018

Challenges To Overseas Operation

Enterprise Restructuring

Cost cutting to Ensure Operational Safety

Enhance the Cash- flow Management



Oil and Gas Market in 2018

In 2018, the world economy continued to sustain a positive growth rate of 3.7% equivalent to that of 2017. Despite the severe impacts of trade wars, monetary tightening policies and geopolitical conflicts, the recovery of crude oil prices still posed a notable highlight supporting the stability of global economic growth.

The oil and gas industry has gone through the year 2018 with successes in general view. The crude oil demand in 2018 was at an average of 98.78 mil barrels/day, increasing by 1.5 mil barrels/day compared to 2017 (Source: OPEC). Meanwhile, the supply was maintained at 98.9 mil barrels/day. Thanks to the momentum triggered by the concerns of supply shortage due to several events including the escalated tension between the U.S and Iran, the agreement among OPEC and non-OPEC oil exporters in moderating production volume, and the rising demand of energy for global economic growth, crude oil prices have continuously increased since the beginning of 2018. Despite a mild setback near the end of the year due to the high reserve figures of the United States, it is easily noticed that crude oil prices have shown an impressive recovery during 2018. From an average of \$40/barrel in 2016 and \$50/barrel in 2017, oil price (WTI) reached an average of \$65/barrel in 2018. The trend hit a peak at \$74.4/barrel (WTI) and \$86.07/barrel (Brent) at the beginning of Oct 2018, which is the highest price recorded within the last 4 years.

With crude oil prices surging in the longest period since the crisis at the end of 2014, oil and gas companies have confidently implemented new exploration and

production programs to take advantage of the market trend. Particularly in jack-up rig market at the end of 2018, among approximately 454 jack up rigs supplied to the global market (marketed supply), 345 rigs have successfully engaged in operation. The statistics gave a marketed utilization of roughly 75.8% which is a positive increase compared to that of 68.5% in January 2018. In Southeast Asia, the jack-up rig utilization ratio took off from 65% in early 2018 to 70.7% at the end of 2018 with 37 out of 52 rigs contracted. (Source: IHS).

Thanks to favorable conditions from the market, PV Drilling has managed to successfully improve its business results, creating an impetus to overcome all the challenges in 2018. In Vietnam, PV Drilling continued to effectively execute the drilling programs for Vietsovpetro, JVPC, Cuu Long JOC, Hoang Long JOC, Idemitsu and Rosneft along with the successful implementation of Bundled Services for Premier Oil and Thang Long JOC. In addition, PV Drilling has marked several prominent milestones in the overseas markets including the completion of the drilling programs for Kris Energy in Thailand and for Petronass Carigali, Lundin (IPC) and Repsol in Malaysia.

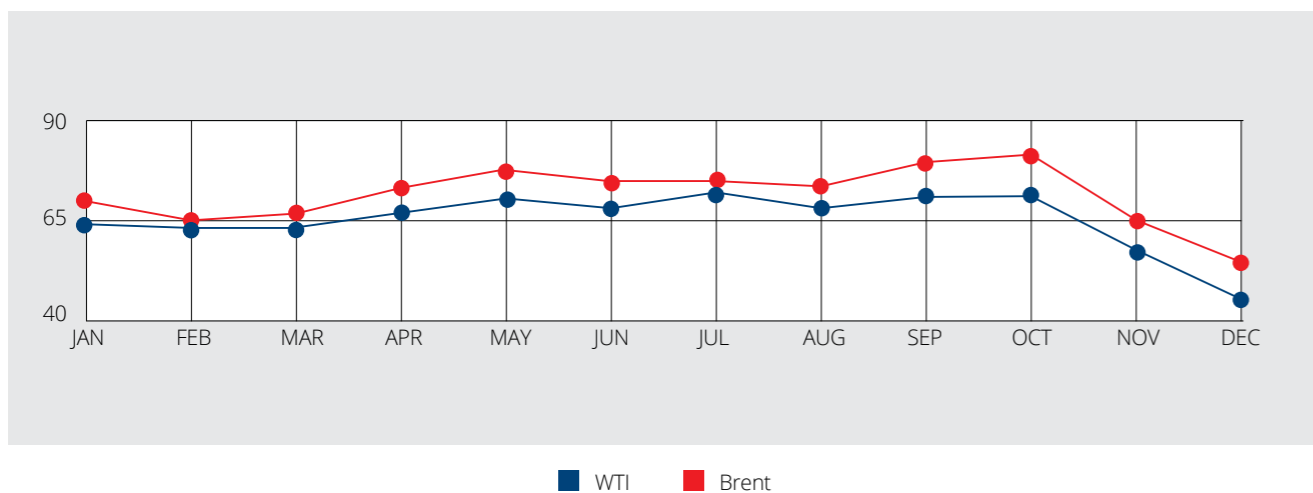
However, due to the huge gap between existing rigs in the market and the limited work volume, PV Drilling still had to encounter severe competitions from other contractors in the industry and was unable to raise the bar for rig day rates as expected. As the market is favoring 350-400ft jack-ups built after 2010, PV Drilling's direct competitors such as Borr Drilling, Noble Drilling,

Japan Drilling, Frigstad Offshore etc. have relentlessly invested in new-built rigs. Particularly in the first half of 2018, an additional number of twelve (12) 400ft jack up rigs have entered the playground in Southeast Asia. With the rig fleet soon to reach 10 years old, it is critical that PV Drilling ensure the effective maintenance of these assets and maintain a good record of operational efficiency in order to sustain its competitive edges.

Another tough challenge for PV Drilling is the declining demand in the local market and the strong protection policies formulated by other countries in favor of their local contractors. As a matter of fact, there were only a few short term drilling programs as well as P&A activities in Vietnam during 2018. Oil operators did not had any long term plans in term of exploration and production. In Southeast Asia and Oceania, though a bit more dynamic, most countries established protection barriers for their local oil and gas service providers. For instance, the local content required in Indonesia is extremely high, reaching 35-50% while Malaysia only gives consideration to overseas drilling rigs upon clear evident that local rigs are

fully occupied or they are unable to meet critical technical requirements. For Thailand or Australia, the markets here always prioritize the utilization of local rigs or those with an existing operation record in these areas. With numerous efforts in business development, PV Drilling has achieved new drilling contracts in Thailand and Malaysia, among those is the long term commitment with Repsol, and thereby considerably alleviating the pressure of searching for work in such difficult context currently.

In recent years, the geopolitical disputes in the East Sea have caused a lot of difficulties for the oil and gas industry in Vietnam and particularly for PV Drilling. This is the primary barrier hindering the implementation of deepwater drilling programs while oil productivity in shallow fields continued to fall drastically. Thus, it is becoming imperative to reinforce the exploration and production activities in deepwater areas. Noticing such trend, PV Drilling has implemented necessary preparations in term of drilling rigs, supporting facilities and competent human resources, awaiting the opportunities to come when the market starts kicking off these potential projects in the upcoming time.



The fluctuations of WTI and Brent oil prices in 2018

Challenges to Overseas Operation

Expanding drilling services to overseas markets is currently a challenging task, especially with such a high domestic protection market as Malaysia. Like other countries, Malaysian Government has implemented policies to limit access to their drilling market so that they can maintain their national sovereignty and protect their national values, local interests and domestic companies. In Malaysia, domestic companies are always prioritized to have job, international bidding is only conducted after they have sufficient work, which caused many hindrances for PV Drilling in finding jobs over there. In the effort to enter Malaysian market, PV Drilling is required to sign a cooperation contract with a Petronas License holding domestic agent as stipulated by Malaysian laws. PV Drilling also had to struggle for its rig fleet to be listed on the bidding list due to lack of job opportunities for both local and worldwide leading drilling contractors, which made the competition continued to worsen by the fact that some drilling contractors decided to offer day rate even lower than operation cost.

Cultural differences and personnel standards are also among major obstacles when PV Drilling operated its drilling rigs in Malaysia. Religion and traditional activities have a great impact on the work norm in Malaysia, which caused certain difficulties and required a high adjustment level in operations to adapt with local cultures. Moreover, local labor workforce had many limitations on experience, skills, and lack of necessary training certificates; there are not many choices of manpower supply while customers required more certificates of training and higher standards of safety; hence, in the beginning, PV Drilling had to use both local staff in accordance with Malaysian regulations

and Vietnamese qualified staff to ensure stable operation and achieve working efficiency as requested, definitely resulted in additional manpower cost. However, this additional incurring cost is nothing compared to the target of building up the prestige of a reputable drilling contractor in the region, PV Drilling is determined to successfully implement drilling campaigns, hereby promoting marketing and maintaining 01 regular jack up rig in this market.

The target of sending Vietnamese staff to Malaysia almost fails to achieve as many barriers occur, taking work permit application for an instance. The host country only provides short-term work permit (about 3 - 6 months) with strict requirements on working skills, certificates, health checks and labor insurance... At the same time, labor shift cost from Vietnam to Malaysia also increases due to geographical location, which requires more international and domestic transits, shuttle agents and accommodations... In addition, PV Drilling also get difficulties in keeping good relationship between working team members, especially in early stages due to differences in language, culture and religious beliefs.

Besides, logistic is also another issue as ship schedule is so scarce that equipment/ goods transportation from Vietnam to Malaysia is usually delayed or even unable to be directly delivered, so it must be delivered to Singapore thereafter using land freight to Malaysia instead. Procedures for importing equipment and customs in Malaysia take quite a long time (an average of 10 working days), not to mention extended holidays and different weekends in different states (some states are off on Saturday and Sunday, others on Friday and Saturday),

causing many negative impacts on rig operation, especially in case of emergencies.

Political instability and policy inconsistencies in Malaysia caused several losses to PV Drilling during its operation. Specifically, the applicable GST is 6% before June 1, 2018, it completely exempted until September 1, 2018, after that GST will be applied about 6% -10% effective from September 1, 2018.

Operating in such a context, PV Drilling's crews have made great efforts to overcome all adversities to fulfill our drilling campaigns at overseas markets. Currently, after more than one year of operation in Malaysia, PV Drilling has implemented training programs for local staff to be qualified with PV Drilling's standards, as well as to meet with customer requirements. The current rate of local staff reached more than 65%, which helped to reduce operation cost, minimizing travel risks and ensuring the rig working team thus receiving Petronas high appreciation for conducting labor localization as committed.

PV Drilling always aims to deliver premium services to clients, with high efficient rate, safety operation with Zero LTI, successful completion ahead of schedule, bringing values added on finance and operating efficiency to clients. PV Drilling's rig fleet has been recognized and appreciated by clients with high demand for services such as Petronas and Repsol. This is a great encouragement to create a solid foundation of PV Drilling, a young reputable and reliable drilling contractor in the region.

Management team with wide knowledge and extensive expertise as well as a professional, dedicated offshore working team with strong support from safety management system has seized all opportunities and overcome all challenges to enhance PV Drilling's vision. In 2019 and upcoming years, in addition to maintaining as a market leader in Vietnam and strengthening the position in the region, PV Drilling will successfully reach out to further areas and achieve more remarkable success, heading for the journey of its sustainable growth.

2018's remarkable achievements in service expansion to overseas markets:

Drilling services:

In 2018, there were 4 out of 6 drilling rigs operating at overseas markets, including rig PV DRILLING I operated in Thailand for Kris Energy, rig PV DRILLING III worked for the Repso's drilling campaign at Bunga Kewa - BKC WHP - PM3 CAA, Malaysia, rig PV DRILLING VI was supplied for IPC at Bertam, Malaysia and land rig PV DRILLING 11 operated for Cepsa BMS in Algeria.

Other technical services:

In 2018, PV Drilling managed to expand the following technical services to overseas markets: cooperated with BH, OWS, Destini to supply tool rental in Thailand, Malaysia and the Middle East; particularly to provide Casing and Tubing running service for Destini in Pakistan from January, 2019 and supply Casing and Tubing running manpower for OWS in Saudi Arabia from December 2018. Besides, PV Drilling continued to provide a considerable number of drilling crew to Japan's market and for the first time to win the contract of sending technical staff for jack-up rig operation in Japan.

As a result of exerting our full effort, PV Drilling has achieved some initial but essential success, proving its ability in provision of premium services, which helps to expand services to overseas as well as to build up its prestige in 2019 and the upcoming years.



PV Drilling always aims to deliver premium services to clients, with high efficient rate, safety operation with Zero LTI, successful completion ahead of schedule, bringing values added on finance and operating efficiency to clients.

Enterprise Restructuring

Market Overview:

Petrovietnam Drilling & Well Services Corporation (PV Drilling) was established in 2001 by inheriting all infrastructures and facilities of former PTSC Offshore (established in 1994) – a division of PTSC (Petrovietnam Technical Services Corporation) and has become publicly listed company since 2006. Over 17 years of development, PV Drilling has achieved a remarkable development, becoming a professional drilling contractor in the region with 50% domestic market share of drilling services and 70% domestic market share of well technical services. Along with that development, many specialized departments, divisions and subsidiaries to supply new services were also established with a dramatic increase of the labor workforce in order to meet market demand.

At the end of 2014, both global and local oil and gas market started to fall into a deep crisis as a result of oil slump, which led to drilling activities being delayed or completely abandoned by domestic and international oil and gas companies. Consequently, PV Drilling's workload decreased dramatically, day rate also suffered a sharp fall, sometimes even lower than cost as the harsh competition with other international drilling contractors. PV Drilling

has actually faced the most challenging period since its first establishment.

In 2018, crude oil price slightly increased, however, day rate of drilling and well technical service in both global and local oil and gas industry has not recovered. Therefore, PV Drilling continued to confront many difficulties and challenges. In such a circumstance, PV Drilling focused on restructuring its entity to make it appropriate with new demands of current business operation in the upcoming time.

The objective of PV Drilling's restructuring:

- Enhance its strengths, increase its market shares in drilling and well-technical services both locally and internationally, create great values added for clients by delivering premium services at competitive prices;
- Approve of restructuring its entity in the most efficient manner to ensure cost optimization, cost reduction, increase labor productivity, enhance corporate governance and competitiveness in both local and regional markets to achieve the target of PV Drilling's sustainable growth under the context of oil slump;

- Improve and upgrade PV Drilling's core services; strengthen its corporate governance together with timely support for subsidiaries business operation to promote its core as well as bundled services; thereby expand above-mentioned services to overseas.

PV Drilling's overall restructuring:

With the above restructuring objectives, PV Drilling has built overall restructuring plan for the period of 2018 – 2020 as follows:

Restructuring PV Drilling's Corporate Head Office:

- Merging Project Management Division into Commercial-Investment Division, transferring its functions and missions from Project management Division to Commercial - Investment Division;
- Renaming Business Development and Operation Support Division to Business Development Division; the new "Business Development Division" is to focus on developing PV Drilling's business activities.

Restructuring PV Drilling's subsidiaries:

- BJ Services – PV Drilling Joint Venture Company Limited (BJ – PV Drilling) will be dissolved when the joint venture contract is expired; BJ – PV Drilling's current lines of business will be transferred to PVD Baker Hughes;
- Considering the option of merging or reducing PV Drilling's number of shares owning in its subsidiaries to match up with current business conditions and capital needs;
- Considering the conversion from Joint venture contracts to Business cooperation contracts (BCC) for some 3rd level joint venture companies of PV Drilling;
- Considering cooperation/joint venture with overseas partners to expand market shares and enhance ability.

To achieve restructuring efficiency, PV Drilling is considering evaluating and choosing the most appropriate solution for each subsidiary of the Corporation.

The top objective for restructuring is to enhance PV Drilling's strengths, to increase its market shares in drilling and well-technical services both locally and internationally, and to create great values added for clients by delivering premium services at competitive prices.



Cost cutting to ensure operational safety

An important task related to survival in difficult stage of the oil and gas industry, large drilling contractors in the world such as Transocean, Seadrill and etc., must keep cost cutting to ensure operational safety. As the same situation, PV Drilling has cut cost from the previous year to overcome the challenging period without any degrading the quality of its services offered to clients and continued to use of internal resources to increase labor productivity, it comes to add more profits for PV Drilling. From the start the situation of the difficulties and challenge in oil and gas market, PV Drilling has promptly implemented the Project "Optimizing and cutting operational costs". This is an important action to overcome the difficult period of the oil and gas industry. Main focus is put on the following solutions:

Implementing cost reduction program in order to prepare for potential risks happening in the market and actively preventing waste in operational activities. Building trust between employees, shareholders and clients as well as creating a culture of collaboration at workplace to improve efficiency of operational activities.

Safely operating drilling rigs, machines and technical equipment. Optimizing operation, repair and maintenance to improve the operational efficiency of drilling rigs and machines; closely monitoring inventories by completing and cross-checking the minimum/maximum inventory of materials and consumables in the most effective manner; strictly controlling the purchase of spare materials and equipment to service drilling rigs. The cutting cost has implemented from the end of year 2015. In 2018, PV Drilling has continued its efforts to cut cost with the total cost of repair and maintenance saved against 2017 was 4 billion VND.

Continuing to check and cut cost, effectively utilizing the available internal resources such as holding teleconference meetings or via phone calls, saving traveling cost, prioritizing the low-cost airline bookings, not using business class tickets. Refraining from costly entertaining parties, not combining conferences with outing trips. The organization of conference, preliminary ceremony and closing ceremony, traditional days, guest entertaining parties etc. is carefully examined in terms of the necessity, the form of organization, the number of participants and the location...with the total cost savings for management and administration against 2017 was 17 billion VND.

Reducing the rental cost of office space, warehouse and yard to be suitable for the business conditions during the difficult time with the total rental cost of office space, warehouse and yard saved against 2017 was 2.5 billion VND.

Having a proper downward adjustment of the number of expats and standby Vietnamese staff as well as cutting such related costs as: overtime pay, safety bonus, no application of subsidy policy on Floater...Accelerating the rotation of internal staff to restrict the new recruitment. In 2018, the number of expats reduced by 1 person, replaced by Vietnamese by 5 persons and the salary cost of expats dropped by 13.5 billion VND compared to 2017.

Continuing to negotiate with the suppliers of materials and services to discount the purchase price with an average decrease of 5%-10% compared to 2017.

COST CUTTING 2018 vs. 2017

Saved 4 billion VND of repair and maintenance cost

Saved 17 billion VND of management & administration

Saved 13.5 billion VND of expat salary cost (1 expat reduced, 5 expats replaced by Vietnamese)

Saved 5%-10% of the procurement cost thanks to negotiation with goods and services suppliers



Enhance the Cash-flow Management

The downturn of oil price from late 2014 to 2018 has witnessed many well known drilling companies, declaring bankruptcy or being driven to the edge of insolvency due to insufficient cash flow problems. Many companies originally focus on revenue and profit, but since the popular problems of “inadequate cash in a profitable business” raised their awareness of cash flow management. Many companies put significant efforts on listing receivable and payable accounts and then finding solutions by forecasting and making adjustment for specific accounts which costs a substantial amount of resources in both human capital and time, but no guarantee of positive results. At PV Drilling, the 80-20 rule has been applied for cash flow management strategy, which means 80% of cash amount coming from 20% of accounts.

• Increasing the bad debt collection

PV Drilling has released financial management regulation since 2008 which identified sufficient cash flow is the life blood of the Corporation and the importance of debt coverage ratio and day collection period are always emphasized. Thanks to financial management regulation and tight controlling of payment terms in contracts agreement, most of account receivable amounts related to local and international clients are collected before the due day, except these amounts of PetroVietnam Exploration and Production (PVEP) and other parties of PVEP, wholly owned subsidiaries (PVN holds 100% shares), caused by internal processes regardless of providing services completion and acceptance certificate.

As of 31/12/2017, total debt of PVEP and other parties of PVEP was more than 800 billion VND and most of them are overdue debts. Due to PVEP's late payment, PV Drilling had to record the provision for bad debts of 325 billion VND on consolidate financial statement which significantly impacting to business operation and even worsens in this difficult period.

In spite of facing many difficulties, PV Drilling continuously implement different solutions to collect these overdue debts by sending letter of demand to PetroVietnam Exploration and Production (PVEP) and other parties of PVEP, wholly owned subsidiaries (PVN holds 100% shares) and arrange meetings among all related parties including PVN, PVEP and PV Drilling. In 2018, PV Drilling has successfully been collected 80% of the overdue debts, equivalent to 400 billion VND, related to block 05.1a, block 09.2/09 and 01/10-02/10. As of 31/12/2018, there was VND 400 billion of overdue debts from PetroVietnam Exploration and Production (PVEP) and other PVEP's subsidiaries. In 2019, PV Drilling will continue to deal with PVEP and other parties of PVEP in order to collect and clear outstanding debt and this task is considered as the top priority of Board of Management.

• Restructuring the bank loans

In Q1 2018, after reviewing cash flow statement, loan agreement regulations and the benefit of interested parties, PV Drilling actively negotiate with BIDV to pay in advance 16 million USD of PV DRILLING II's loan outstanding in order to reduce the pressure from interest rate and loan principal amounts. At late 2018, PV Drilling totally accomplished loan repayments of PV DRILLING I, PV RIING II, PV DRILLING III and PV DRILLING 11 (land rig) which enhances the company's financial health.

In 2018, one of PV Drilling's subsidiaries named PV Drilling Overseas which managing PV DRILLING VI in Singapore's office also received positive result when Vietcombank and Seabank agreed to restructure its debts by extending the loan repayment schedule from 8 years to 15 years and reducing interest rate from 2018 to 2020. These positive outcomes significantly help PVDrilling and especially PVD Overseas have sufficient resources to overcome this difficult period of low day rate and limited workload.

Meanwhile, PV DRILLING V (TAD) managed by PVD Deepwater is facing some problems of loan restructuring due to the delay of Red Emperor project which affect to the workload of this project. One of the main conditions for restructuring loan repayment schedule is a drilling contract with specific clients. In fact, outstanding loan amount is only less than 16 million USD as PVD Deepwater already paid 130 million USD in total amount of 47 million USD, equivalent to 88%. In 2019, PV Drilling will continue to work with PVN / PVEP to find solutions such as converting TAD rig into exploitation platform for Dai Hung's development project (Dai Hung 01 rig is too old, nearly out of operation), negotiating with the Bien Dong POC, Vietsovpetro, Phu Quoc POC to use the TAD platform for the campaign, for well repair / destruction program and actively seeking job opportunities in international markets.

• Controlling the inventory turnover

In 2018, PV Drilling also reviewed Maximo system in order to review Min-Max standards of inventory management, reclassify products into special or popular inventory in order to minimize the cost of purchased stock and enhance the efficiency of cash flow management. In case of complicated and risky drilling operation activities in which spare parts and replaced equipments are required available, inventory goods are always remained at the sufficient level thanks to applying corporate governance-ERP, Reliable Centered Maintenance, inventory management – Maximo.

• Controlling the payables

In contrast to receivables, any company wants to extend payment terms to suppliers. PV Drilling actively negotiated with suppliers to reduce the cost of service and extend payment terms. Therefore, PV Drilling's average payment period remains stable even though the payment terms are longer. In addition, PV Drilling defines the key of success is prestige so that timely payment is obligated. PV Drilling is highly appreciated by suppliers which help them receive special favorable offers in terms of prices, payment terms and discount rates.

The 80/20 principle has always been flexibly reviewed and periodically evaluated by PV Drilling. Small amount of an item account in the past could suddenly sky-rocket and influence cash flow plan if not properly measured.





INFUSE THE INSPIRATION

The success of developing drilling-rig services in oversea markets has proved the prestige and international quality of PV Drilling's services. The ambition of reaching further on the world map and conquering the new milestones of PV Drilling will come true soon.

Completion of the Corporate Governance System

From establishment, PV Drilling always focused on building a professional and effective enterprise management system. Accordingly, PV Drilling's top management has built a Corporation organization structure based on model of Parent Company and Subsidiaries with vertical management mechanism, whereby, the parent company managed its subsidiaries through functional departments. This managing model was applied effectively and suited with PV Drilling's business nature. In addition, PV Drilling has issued a system of Regulations, Processes and Policies ... including fully internal control systems to detect, prevent and mitigate risks effectively such as Enterprise management Regulations, Company Charter, Regulations on Financial Management, Representative Regulations, Investment Procurement Process, Regulations on Expenses Management These documents were public, consistently applied in the whole Corporation. Moreover, PV Drilling has applied Oracle ERP system to manage the accounting and financial management and Maximo system to manage inventory since 2007, especially for Oracle ERP system, PV Drilling has step by step built and applied in each phase in accordance with the practical needs of enterprise management at PV Drilling. For the operation of drilling rigs, PV Drilling has built safety management systems according to international standards, programs of inventory management, rig maintenance, rig operation processes, wells control is established and compliant.

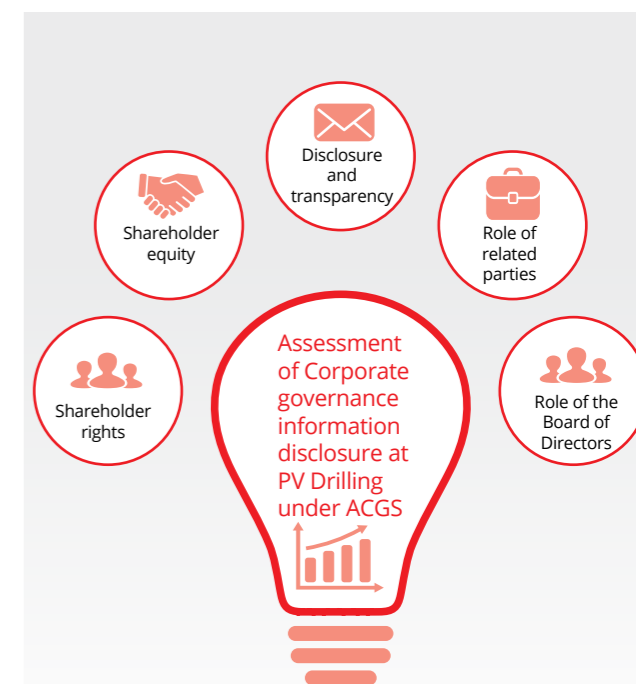
In the current difficult period, in order for the Corporation to stand firm and the employees of PV Drilling can "keep the flame" of enthusiasm and engrossment overcomes challenges, the Board of Directors has continuously improves the enterprise management system to approach the advanced management practices in the world like COSO and ISO standards, include some major activities in 2018 as follows:

- Continue to deploy Oracle ERP system - phase III (ERP III) to build and operate a strategic planning system deeply from the top management to each department, the implementation of ERP III will help closely manage budget planning from details to synthetic following the approval procedure, management processes and the versions of planning as well as increasing data security and consistently synchronizing data plans in the whole Corporation. In addition, Business Intelligence (BI) also help the Board of Directors manage the organization effectively in line with the actual daily activities with various types of reports from overall to detailed in monthly, quarterly and yearly basis.
- The year 2018 is the first year that Enterprise Risk Management System (Risk Management) was operated throughout the Corporation (including the Parent

Company and its subsidiaries owning 100% charter capital) and recorded initial successes. The Risk Management System, which is the focal point of the Internal Audit Division has achieved many important results, meeting BOD's expectations when the system becomes an effective management tool, meet the standards of international practices and are consistent with the characteristics of Vietnam's oil and gas drilling industry.

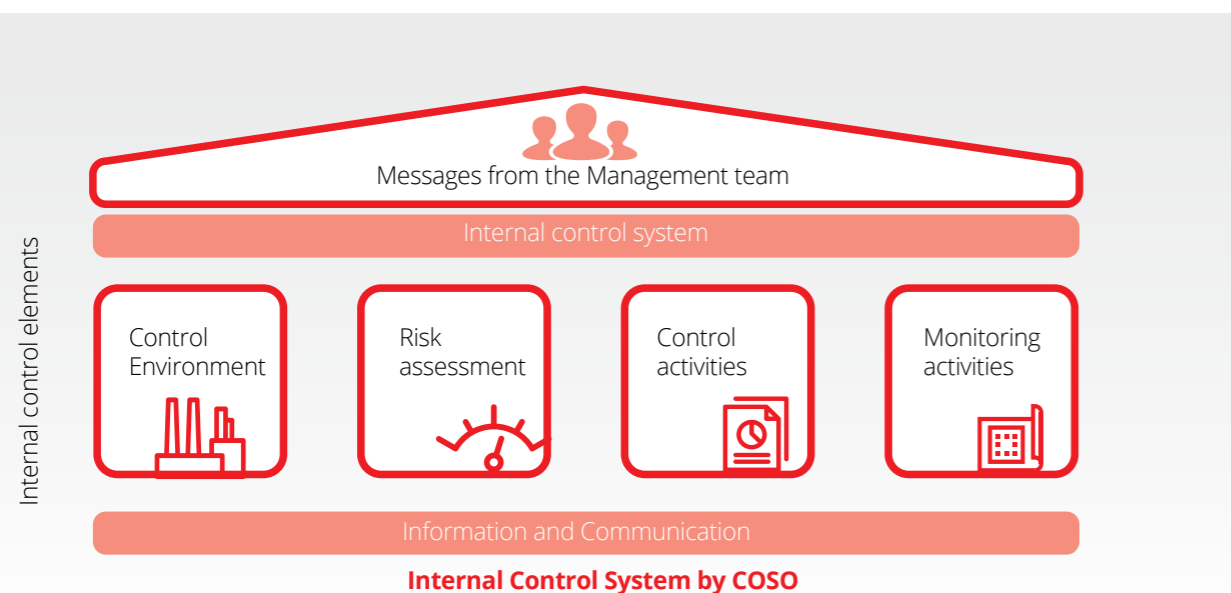
- Continue to update the Processes, Regulations in the internal regulations frame of the Corporation to suit the current conditions and circumstances to improve enterprise management such as Company Charter, Financial Regulations, Internal Regulations of the Corporation...
- Complete the management elements in the enterprise management system to meet the requirements of enterprise management including:
 - Management elements in relationships with employees are formed from building trust, mutual respect, culture of behavior, understanding, reward regulations, proper discipline and equal.
 - Management factors inequality and anti-discrimination are expressed in compliance with labor laws, labor rules, and codes of conduct to ensure workplace equality such as everyone in the Corporation is paid fairly, regardless of gender, origin, non-discrimination against people with disabilities in all areas of activity.
 - During the formation and development, PV Drilling has contributed to the overall development, participating in humanitarian activities. Coupled with stable economic growth is an improvement in life culture, strengthening sustainable development, affirming social values with the local community.
 - Customers are specially importance to any business, hence, customer relations management requires the enterprise to understand the processes that create value for their customers, since then, enhance the value provided. Therefore, PV Drilling always focuses on building, maintaining and developing long-term relationships with customers.

Besides that, in 2018, the Board of Directors directed related departments to conduct a review of Information Disclosure in Enterprise management based on the "Principles of Enterprise management of the Organization for Economic Cooperation and Development" (OECD) and international practices. Accordingly, PV Drilling will consider



and make specific plans to enhance and improve the enterprise information disclosure system including:

- **Shareholder rights**
PV Drilling will consider the shareholders to participate in counting votes at the General Meeting of Shareholders and disclose the information in the meeting minutes; put appointment information in the statute; the policies/practices that encourage shareholders to participate outside the General Meeting of Shareholders; other policies to ensure the role and rights of shareholders throughout the process of operation and development of the Corporation.
- **Equal treatment to all of shareholders**
The Corporation will perform the works of improving the information disclosure system including: completing the announcement of the Regulation on Information Disclosure, adding to the Regulation and relevant regulations in enterprise management; review and ensure that transactions with key/ important related parties are fully informed and satisfy the conditions of independence; consider to addition the policies and requirements for the Board of management to ensure the reasonableness of transactions with related parties to avoid conflicts of interest.



Completion of the Corporate Governance System (continued)

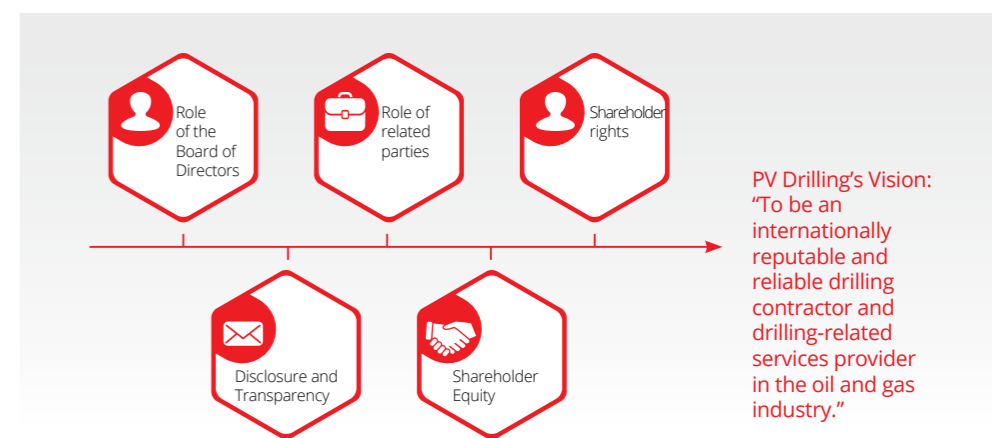


• The role of related parties

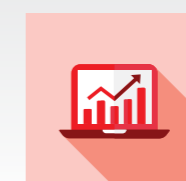
The Corporation considers to implement a route map of announced policies and practices, processes and procedures for selection of suppliers/contractors, solutions to protect the rights of creditors; Reward policies may be associated with long-term goals; The complaint process for employees and related parties to be put into regulations, and will improve the disclosure information into the relevant reports to ensure and record the interests of stakeholders.

• Disclosure and transparency

The Corporation proposes to announce the percentage of direct ownership, indirect ownership rate (if any) of specifically groups in PV Drilling such as major shareholders, BOD, and Executive Board in order to ensure transparency and fairness in information; reports will ensure PV Drilling's compliance with enterprise management rules; The details are mentioned include: Administrative regulations and guidelines applied to PV Drilling and analysis of changes in governance requirements over the years, according to market situation ... consistent with goals.



Completing corporate governance in the current difficult period is an accurate and strategic solution, which not only helps the Corporation overcome all difficulties and challenges but also reinforces the Corporation's position in Vietnam and the Regional, adding value to investors and stakeholders, integrating with corporate governance practices around the world. With the orientation of becoming a reliable and reliable contractor not only in the domestic market but also in the regional and the world markets, the improvement of the enterprise management system is a foundation for PV Drilling to become a solid corporation and create momentum for sustainable development in the future.



Completing corporate governance in the current difficult period is an accurate and strategic solution, which not only helps the Corporation overcome all difficulties and challenges but also reinforces the Corporation's position in Vietnam and the Regional, adding value to investors and shareholders, integrating with corporate governance practices in the world

Human Development Policies and Commitment on Human Rights

1. Overview of PV Drilling Human Resource

PV Drilling has faced with utmost difficulties and challenges coming from oil crisis since the last quarter of 2014. Four-year period is not really a long time but it is enough to prove how strong PVD's resilience is to overcome challenges.

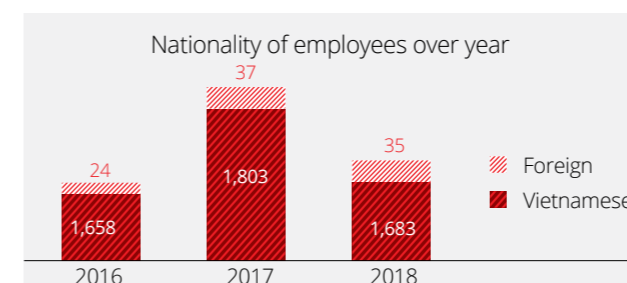
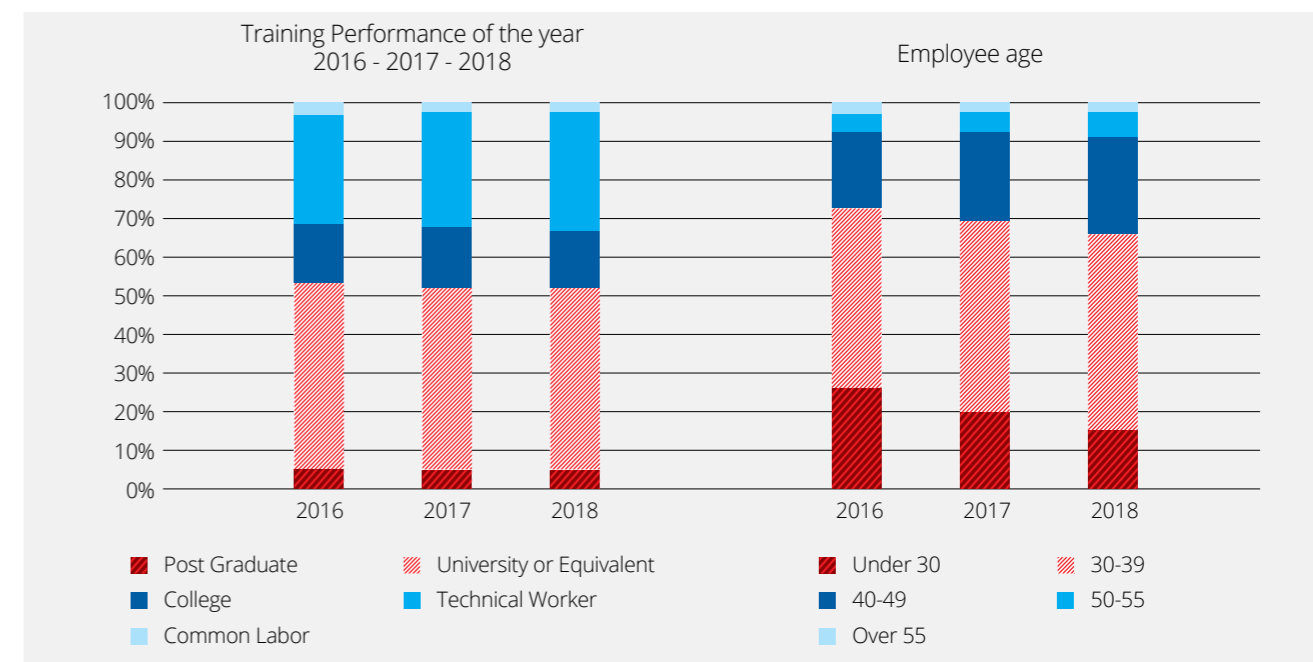
Oil crisis spread out and created negative effects to the whole oil and gas industry, series of oil and gas companies had to reform, streamline its organizations in order to survive and responds with the recent difficult situations. In that downtrend, PV Drilling not only maintained its core values as Human – Integrity – Professionalism but also focused on strengthening its precious resource - Human Resources.

In 2018, with the purpose of streamline organization, PV Drilling continuously cut 6.63% of total employees

compared with previous year. However, the labor structure still remained unchanged in term of diversification and quality, the total numbers of key employees still maintained with a stable ratio. This was one of Corporation's great efforts in maintaining and nurturing the high quality, loyal and experience employees.

In addition, the total of expatriate employees also was reduced to 35 persons approximately of 5.41% compared with the year 2017. Along with that action, workforces localization and technical knowledge transfer has been promoted in the whole corporation for the purpose of cutting operation cost. Recently, the local inherited workforces were trained and accumulated practical experiences have adequate competencies to substitute expats, perform core services and hold key roles on offshore drilling rigs.

	31/12/2016	31/12/2017	31/12/2018
Human Resource Statistic	1,790	1,840	1,718
1 Degree	2016	2017	2018
Post Graduate	110	104	98
University or Equivalent	943	861	797
College	304	287	262
Technical Worker	556	539	520
Common Labor	57	49	41
2 Ages	2016	2017	2018
< 30	516	371	268
30-39	914	908	864
40-49	400	422	442
50-55	87	94	103
> 55	53	45	41
3 Gender	2016	2017	2018
Male	1,682	1,564	1,449
Female	288	276	269
4 Nationality	2016	2017	2018
Vietnamese	1,658	1,803	1,683
Foreign	24	37	35



In 2018, the total employees whose their contracts were terminated were 200, accounting for 11.64% of the total manpower in the Corporation. To compensate for 200 terminations, PV Drilling recruited 76 employees to supplement for the manpower shortages in 2017. The rate of employees having annual health examination in 2018 reached 99%, in which 100% staffs finishing check-up; There was no violation of labor safety Regulations/Laws in the whole Corporation.

Being a high-tech services provider, most PV Drilling's workforces have either university and/or post-graduate degrees; whereas, technical workers hold college degrees. The common labors account a very small proportion of the total employees, who are occupied for indirect jobs. On the other side, due to the distinction of heavy industry,

the female employees make up a low rate of the total employees, who have managing positions or indirect jobs.

2. Labor volume and average income per capita in 2018:

- The total employees of PV Drilling at 31/12/2018 are 1,718, reach 95% of projected plan.
- In 2018, average income per capita of PV Drilling employee is 11,7 million VND/capita/month, reach 103% of projected plan.

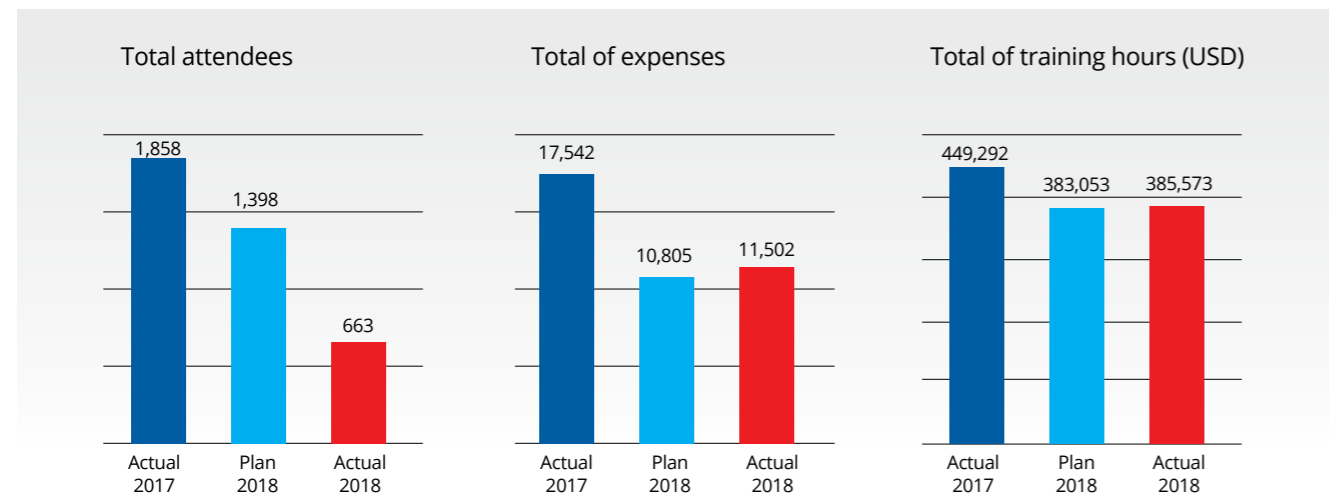
3. Training and development policies during the downturn period

Under the enormous pressure of cost optimization, training and developing activities were implemented to maintain workforce quality, especially more focused on advanced training programs. The core T&D program was set to train and develop professional expertise, technical skills and specialized knowledge, On-the-job training and Internal/Self-training programs were continuously prompted in the whole corporation to take advantages of internal resources.

Human Development Policies and Commitment on Human Rights (continued)

Training performance of the year 2018:

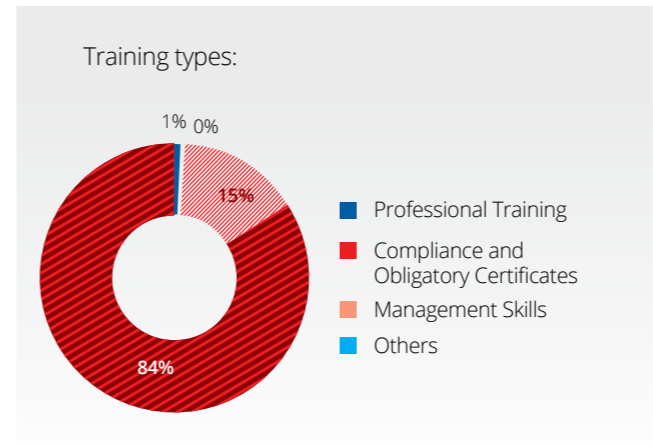
	Total of Attendees	Total of training courses	Total of training hours	Total of expenses (USD)
Actual 2017	1,858	123	17,542	449,292
Plan 2018	1,398	83	10,805	383,053
Actual 2018	663	164	11,502	385,573
%Act 2018 / Plan 2018	47.42%	197.59%	106.45%	100.66%
% Act 2018 / Act 2017	35.68%	133.33%	65.57%	85.82%



The table and graphs are to demonstrate for the above mentioned. Training programs – number of total of training courses, total of training hours and total expense did not change much though number of total attendee plunged down the slope. That brings the mean T&D – learning actions are concentrated and prioritized must-have programs to key employees.

Training types:

Training type	Total of attendees	Total of courses	Total expenses (USD)
Professional Training	23	13	59,491
Compliance and Obligatory Certificates	605	139	322,951
Management Skills	2	2	2,924
Others	33	10	207
Grand Total	663	164	385,573



The Training Types tables and Expense Allocation by Training Type graph as above show how training programs focused on. In total, professional training and compliance and obligatory certificates account a high percentage.

Modes of Training:

- Public training: provided by professional training centers.
- Internal training: outsource instructors, course materials customized and organized by PV Drilling.
- Self-training: traditional training given by internal trainers, on job training.

Training Criteria:

a. Learning Hours Used per Employee

2017	2018	% 2018/ 2017
9.17	6.76	73.74%

b. Cost per Learning Hours Used (USD)

2017	2018	% 2018/ 2017
25.61	33.52	130.88%

c. Direct Learning Expenditure per Employee (USD)

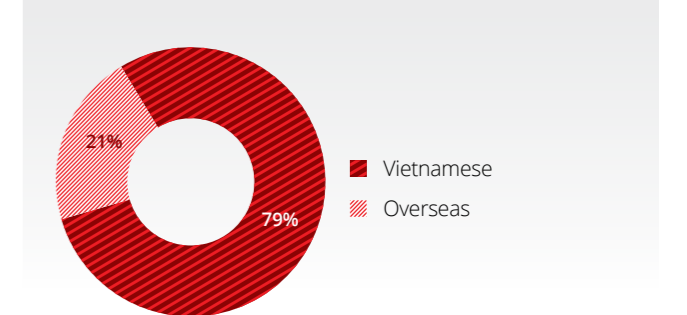
2017	2018	% 2018/ 2017
234.86	226.67	96.51%

In the comparison with the previous year, training criteria of 2018 changed drastically in term of Learning Hour Used (LHU) and Cost per LHU, however, LHU was decrease while cost per LUH was increased, direct Learning Expenditure per employee remained unchanged. These numbers has proved T&D management in 2018 was selective and intensive for company's need.

Expense Allocation by place:

Place	Total of attendees	Total of courses	Total expenses (USD)
Vietnamese	631	144	303,013
Overseas	32	20	82,560

Expense Allocation by Place:



Using qualified domestic training programs make PV Drilling more proactive in its T&D management, this does not only contribute to cost saving policy but also develop a good quality labor force.

4. Equality and anti-discrimination policies

In addition to complying with the Vietnamese Laws as well as the International Commitment Agreements, PV Drilling, being a drilling contractor, always complies with the Laws, local regulations, and culture of the countries where PV Drilling provides its services in term of equal treatment, anti-discrimination in workplaces. The Article 7 of Item B in PV Drilling's BCOC can be reiterated as below.

At PV Drilling, the discrimination against part time and full time employees does not exist; all employees work for PV Drilling under the signed labor contracts; the signing of labor contracts are abided by the current Labor Regulations and Laws. All of PV Drilling's regulations and policies do not concern to the discriminations against gender, nationality. All employees have the right of equal treatment; signing labor contracts as per agreed scope of works; having adequate salaries; gender equality.

The Union of PV Drilling was formed and has been operating with full support from the executives since its establishment. All employees are always consulted and encouraged to join the Union. "Women Union" is a division of Union representing female employees. Its functions are to care and protect the rights of female staff in the Coporation. Annually, PV Drilling holds special celebrations

Human Development Policies and Commitment on Human Rights (continued)

on female special days such as Women's day (8/3), Vietnamese Women's Day (20/10) with attendance of all female employees, representatives of top management, and Union. At those events, the female employees' rights and benefits in accordance with the current Regulations and Laws are always widespread and committed by the top management.

All PV Drilling employees have opportunities to promote their competencies contributing to PV Drilling's successes. To do so, the discrimination or inequality against recruitment, training, promotion or any treatments are not allowed in our workplace.

In our workplace, the treatments or decisions related to human resources are made based on labor's competencies and performances, not based on the followings:

- Nationalities; races; skin colors
- Religions
- Disabilities
- Favorites
- Gender
- Or any kinds of status protected under Laws

5. No child-labor guarantee

Based on PV Drilling's sustainable development policy, the Corporation commits not to employ child labor both directly and indirect through subcontractors.

In Article 13, of PV Drilling's recruitment policy, thereof, PV Drilling only accepts the applicants of 18 years old and above. Candidates' ages are always referred based on their citizen ID.

6. Employee relationships policy

At PV Drilling, human factor is considered one of the core values; the Corporation always builds and applies the best possible policies for its workforce with the following details:

- As per Collective Labor Agreement, whereby, all the employees' benefits are committed and fully implemented in accordance with agreement between the employer (PV Drilling) and the representative of employees; and under Labor Laws;
- As per Salaries Policy and Appraisal Performance Process, whereby, the equality, competition, and adequation in alignment with performances are ensured; in addition, talent retention and attraction are also included.
- As per Training Policy, whereby, the employees are trained with proper knowledge and suitable skills; have opportunities to learn, promote, and develop along with PV Drilling's growth.
- As per HSE policy, whereby, PV Drilling always applies

HSE procedures in operation to assure the safety for its employees, subcontractors, partners, and clients.

- As per Environment policy, this will be expressed on pages 136 - 145 of this Annual Report.
- Code of Conduct: at Article 6, Item B of the Code of Conduct, PV Drilling regulates clearly about "Building a positive workplace relationship" as below:
 - Always complete our duties and be accountable for our own action;
 - Share information and assist others to complete their work. No one is allowed to place the individual's interest, his/her group interest above PV Drilling's interest.
 - Actively communicate to strengthen the team's bond to generate better work results;
 - Offer sincere and constructive comments to others;
 - Respect our direct supervisor and management by following their orders and guidance;
 - Promote positive workplace relationship between employees by demonstrating fairness and respect to all employees in day-to-day activities if in management position.

Some contains of Compensation and Bonuses Policy:

- Base salary
- Performing salary
- Allowances
- Salary increase based on performances and productivities.
- Annual bonuses and rewards on results achieved.
- Allowances on special occasions.
- Rewards on researchs and technical innovation.

Some contains of Benefits Policy Insurances:

- Insurances:
 - Social, Medical, and Unemployment Insurances stipulated under Vietnam Laws;
 - High quality health insurance for treatments in Vietnam and ASEAN;
 - 24/24 accident insurances;
 - Voluntary retirement insurances;
 - Talents insurances.
- Others:
 - Allowance on special occasions for the staff;
 - Allowance on retiring for the seniority;
 - Mid-shift meal allowance;
 - Costumes allowance;
 - Other allowances under the regulation of Oil and Gas Support Fund;
 - Regular health examination provided by prestige partners;
 - Sponsoring for cultural and sport exchange activities for the staff;
 - Other programs for the labors' children: gifts for children on International Children Day - 1 June, Full Moon Party, Family Day and rewards for children with high performance in study.

7. Commitment on Human Rights

Developing toward sustainability is Corporation's goal, hence, the human rights are always committed by PV Drilling; the violation against human rights is not permitted for any purposes:

- PV Drilling always respect and commit to protect human rights during its business operation
- Prompt adjustments will be taken if any activities, policies, or shortcomings of PV Drilling incidentally creating negative impacts on human rights;

- Always updating the requirements on human rights under Laws of Vietnam and the countries or territories where PV Drilling operates; cooperating with partners, clients for analyzing and evaluating to prevent negative impacts when executing human rights policy of PV Drilling;

Once again, by our own policies and actions PV Drilling affirms and commits to execute all of our responsibilities about general labor relationships, human rights to deserve our effort to become a socially responsible and sustainable corporation.

PV DRILLING CODE OF CONDUCT

PV Drilling's Business Code of Conduct (COC), which has been applied to the whole Corporation, officially issued on November 1st, 2016. The Code was built to ensure all actions and decisions of the management team as well as the staff in accordance with our core values, which helps to make up an ideal workplace and enhance business ethics within the Corporation.

Code of Conduct execution status:

PV Drilling Code of Conduct (COC) was issued on the 1st December 2016 and regulated for the whole corporation. This COC has been built and officially issued for two years. In the first year, it was publicised on PV Drilling website and throughout internal channels like email and official documents. Then, the propaganda activities are raised up to higher level by Human resources Division with many meetings in which majority of employees and managers take part in, share, discuss and involve in general execution.

Via those meetings, PV Drilling also surveyed and collected many feedbacks and was willing to receive many sincere opinions about practical reality and innermost feelings which were open-heartedly shared by attendees. In general, This well-designed COC is familiar and close to overall business operations. At the moment, it is widely appreciated and has not any update.

Auditing and supervising:

Our COC is built and propagated not beyond the purposes of improving employees' perception, building collective and distinctive culture of PV Drilling Corporation in every single business operation. Therefore, COC execution is proactively deployed daily by every business units, employees volunteer to adjust themselves under close supervision of their direct superiors.

The released COC marks an important milestone which expresses PV Drilling BOD's determination to create an environment with unique and differential culture. By that mean, this COC is propagated, communicated across the whole organization to raise up awareness of actions. In the future, every business operation in general and every employee's behavior in particular will be supervised and appropriately monitored with properly compulsory sanction.

Human Resources Training and Developing

Human resources training and development has always been considered one of the top strategies throughout PVD - Drilling Division's operation and production. Actually, right from its first establishment until rig operation, human resources training and development has always been implemented as a priority program together with production improvement. As PVD - Drilling Division operates in an internationally competitive environment, human resources development does not only support business operation and production, but it also helps to upgrade corporate governance and master information technology so that we can deliver premium services at competitive prices and contribute to PV Drilling's sustainable growth.

In order for human resources training and development to be implemented in a systematic and effective manner, PVD - Drilling Division has completely built and put the training and development system for rig's working team into operation since the beginning of 2014, which has achieved many considerable results. This advancing system has been built on the combination of several training programs, including Succession Planning, On the Job Training (Competency Based Training) and Performance Appraisal. The target of this system is to continuous training and developing rig's working team so that there will be a stable skilled and competent labor workforce to ensure rig operation as well as reduce potential risks and incidents related to human being, thereby improves business performance and enhance its competitiveness in the industry.

In 2018, PVD - Drilling Division succeeded in training and developing the local staff to take over rig's key positions, increasing the localization proportion of management teams to 60%. Currently, the local staff is taking over such many key positions as Rig Manager, Senior Tool pusher, Barge Captain... Operating under both domestic and international market fluctuations, PVD - Drilling Division has always preferred to use qualified local staff in order to optimize costs as well as make the most efficient use of available resources so that we can adapt with current business conditions.

As operated in an internationally competitive business environment, PV Drilling plans to train and develop its workforce in term of enhancing business efficiency, strengthening corporate governance as well as mastering information technology with the aim of delivering premium services to clients and contributing to PV Drilling's sustainable growth.



HSEQ Activities at PV Drilling

Commitment of PV Drilling's Board of Management to implementing Safety – Health – Environment – Quality Policy (HSEQ).

In the last 3 years (2016-2018), although there were signs of recovery for the demand of the drilling market, most of the drilling campaigns were short-terms. Moreover, PV Drilling faces with many difficulties in providing core services coming from the redundancy of drilling rigs supplied and fierce competition in drilling services provided. The above challenges together with the strictly HSE requirement from clients forced PV Drilling constantly maintaining the effectiveness and improving Integrated HSEQ Management System at all working areas such as the offshore drilling rigs, onshore drilling rigs operating in remote Sahara Desert, Shore Bases, Workshops and Offices of all member units and Joint Ventures.

Besides, the supervision from the Corporation to its subsidiaries is also conducted regularly to ensure the compliance in process execution, while ensuring the implementation of PV Drilling's commitments in the HSEQ policy: "At anytime, anywhere, the first responsibility of all staff is to ensure the sustainable development of PV Drilling by fully complying with requirements of Health, Safety, Environment and Quality Management System".

Services provided by PV Drilling such as drilling services (supply and operate drilling rigs), well services ... always have high potential risks of Safety, Health, Environment and Quality. In order to well manage those risks, as well as gain high satisfaction and trust from clients through providing high quality services, in recent years, PV Drilling has successfully built up a strong HSEQ Integrated Management System complying with advanced international standards. So far, with over 17 years of operation, PV Drilling is confident with its HSEQ Integrated Management System, proud of its own brandname that PV Drilling has developed in the field of providing drilling services in Vietnam and the region.

I. HEALTH - SAFETY - ENVIRONMENT - QUALITY MANAGEMENT

Over establishment and development, PV Drilling has been making new progress towards Corporation's goals: Ensuring Safety and Security, sustainable development and environmental friendliness. Thanks to the application of Integrated Management System, Occupational Health, Safety and Quality Management and Environmental

Protection are always proactively implemented according to the action plan, in compliance with the regulations and document system.

The effectiveness of PV Drilling's HSEQ Integrated Management System is maintained through internal audits (at least once a year by the HSEQ Division of Head Office, once a year by the subsidiaries themselves) and audit by Certification Body (once a year), client/customer audits and inspection by Authorities and Stakeholders. In 2018, throughout the Corporation, more than 255 audits were conducted. Through these audits, in addition to sharing the strengths achieved in the past, as well as discussing the audit findings from the audit team, PV Drilling had the opportunity to further enhance the effectiveness of management measures on the Integrated HSEQ Management System currently applied at PV Drilling.

1. Improve the quality of services and products

PV Drilling always aims at a comprehensive quality management system to ensure the quality of services provided meeting with customers' requirements and satisfaction. The risk assessment related to the quality of product manufacturing and service provision at its member

units has been strictly implemented in accordance with the requirements of ISO 9001: 2015. In addition, IT solutions and quality management tools applied at PV Drilling such as KPIs, Maximo inventory management program, Optimise Spare System are periodically reviewed to ensure the compliance with the requirements of the standards and fully meet customers' requirements.

At PV Drilling, we always consider customers as our priority, besides adapting customers' requirements in accordance with the contract, PV Drilling always tries to bring added values such as completing drilling campaigns ahead of schedule, providing innovated and technical solutions which contributed significantly in saving costs for customers.

In addition, customer satisfaction surveys according to the requirements of the quality management system are also fully implemented by its member units for each type of services, as well as products provided. Results of customer satisfaction assessment are then collected and analyzed. Based on the evaluation results of customer satisfaction, the cases of dissatisfaction will be deeply analyzed about the causes and solutions, thereby, mitigate those risks happening in services provided. In fact, in 2018, there were no recorded cases related to customer complaints in writing at the whole Corporation.

"At anytime, anywhere, the first responsibility of all staff is to ensure the sustainable development of PV Drilling by fully complying with requirements of Health, Safety, Environment and Quality Management System".

HSEQ Activities at PV Drilling (continued)



2. Safety and Occupational Health Management

Risk assessment:

Hazard Identification and Risk Assessment for Safety - Occupational Health, Environmental Aspects, as well as the implementation of Job Safety Analysis before implementing tasks are a prerequisite and mandatory task which must be applied in all business activities at PV Drilling's member units and joint ventures, including the offshore drilling rigs, land rigs, shore bases, workshops and offices.

For drilling rigs, the risk assessment for occupational health and safety is always the content that customers are interested in and review first to ensure the compliance with the requirements specified in the bidding documents. Risk assessment and management for Safety - Occupational Health at PV Drilling have always been accepted by customers, including customers with the most stringent requirements.

Safety Supervision:

On-site safety supervision is carried out continuously, daily or weekly at all rigs and production facilities. For monitoring and supervision activities at onshore production facilities, at PV Drilling Corporation level, in 2018, the HSEQ Division implemented a total of 3 HSE unannounced visits and 2 HSE pre-announced Walkabouts, the results of all units reached over 90% of the maximum score. Thanks to these monitoring and supervision activities, in addition to sharing the achieved strengths, discussing the findings from the audit team, the subsidiaries will have the opportunities of improvement to ensure safety in the production process.

CPVD Observation Card:

The Safety Observation Card program has gone along with PV Drilling brandname over the years, besides contributing to identify issues need to be improved and the potential risks while working, observation card is also used to record positive actions of co-workers, thereby, improving safety culture at PV Drilling. The purpose of this program is to make PV Drilling employees Drilling always aware safety for themselves and their co-workers as well as protect the environmental in execution their jobs. Thanks to that, the activities of Safety - Health - Environment - Quality are always observed, recorded and wide spread to all

employees at any job, anytime and in all services provided. In 2018, the total number of safety cards recorded in the whole Corporation is 53,454 cards, of which 92% (49,217 safety observation cards) are recorded from PV Drilling's rigs where there are the most of high risks and possibilities of unsafe acts/conditions leading to incidents/accidents.

Safety Campaign:

Drilling Division (PVD DD) - a subsidiary of PV Drilling is assigned to directly manage and operate PV Drilling rigs - always organize quarterly safety campaigns in order to raise the awareness of the employees working rigs about unsafe factors may cause during job execution. Propaganda can be video clips, posters, presentations and discussions at weekly safety meetings, and is disseminated to each crewmember about safety issues at PV Drilling. The themes of the Safety Campaigns implemented in 2018 are: Complacency at Work, Safety Culture, Hand and Finger Injury, Line of Fire.

Health examination program for employees:

PV Drilling Corporation always organizes annual health examination for all employees. Apart from ensuring compliance with legal requirements for health examinations, health examination also aims to provide a quality health care program for all employees including early screening of critical diseases services. The check-up items would be offered depending on health requirement for each type of work such as for:

- Office, Workshops and Shore Bases employees;
- Workers working on the offshore drilling rig;
- Drivers

Working environment monitoring:

PV Drilling's working environment monitoring has always been strictly implemented. In 2018, PV Drilling cooperated with the Center for Occupational Health Protection and Environment - Ho Chi Minh City Department of Health to measure and test the factors that may affect the health of workers in all working areas, including offshore drilling rigs managed and operated by PV Drilling, Offices, Workshops, Shore Bases of all member units and Joint Ventures at Ho Chi Minh City and Phu My Industrial Park, Dong Xuyen Industrial Park, PTSC Supply Base in Ba Ria - Vung Tau Province. The working environment monitoring on vessels of Thuy Nguyen, Thai Nguyen, NASOS I, NASOS II managed and operated by PVD Offshore Company were also conducted.

The total number of samples measured was 2,694 samples, with the factors measured and tested including: light, temperature, humidity, wind speed, noise, CO2 concentration, vibration. Measured results are used as a basis for evaluating and proposing measures to rectify those factors exceeding the allowed limit, to minimize the risk of occupational diseases for employees.

3. Environmental Management

Sustainable development is one of PV Drilling's main goals, hence, all of its business activities are always toward this goal through applying and continuously improving of environmental management system according to ISO 14001. Based on that, the solutions are developed and implemented in order to mitigate, prevent and eliminate the negative impacts caused to the environment.



HSEQ Activities at PV Drilling (continued)

The assessment of environmental risks and impacts based on strict regulations in the environmental aspect identification and impact assessment procedure (PVD / HSEQ / 019) is implemented consistently in the whole Corporation. Accordingly, environmental risk assessments are conducted as soon as having any changes affected to the environment and annually re-evaluated.

Meantime, in order to maintain the effectiveness of the PV Drilling's environmental management system, the inspection and supervision of the Corporation for the subsidiaries have been implemented thoroughly and closely through the regular / irregular inspections: walkabout, unannounced visit, internal audit ...

3.1 Consumption of materials, fuels and natural resources

PV Drilling's core business are provision of drilling rigs and well technical services such as tubular running, mud logging, slick line..., thus, there is no consumption of materials for producing and packing products leading to the recycle.

PV Drilling's production activities often use energy from burning DO and electricity to run and operate generators, hydraulic compressors, air compressors, cranes, lifting equipment and other specialized equipment, machines. Due to that distinctive works, the energy consumption cannot be calculated by product units like other manufacturing industries.

In the process of operating machinery and equipment, the employees always strictly follow the procedures and operating instructions to ensure safety and improve the efficiency of using machines to save energy and minimize emissions. However, the amount resources usage is still recorded and there are specific guidelines to minimize resource usage.

Water source used at onshore facilities and at offshore rigs is 100% surface water. Onshore facilities take water from water supply plants.



In 2018, PV Drilling has completed and applied HSEQ management and report online software which contributes to improve data extraction, control effectively HSEQ performance as well as the rate of energy consumption and emissions to the environment.



HSEQ Activities at PV Drilling (continued)

Table 1. Fuel, resources and energy consumption in 2018

No.	Type	Unit	Consumption
1	Gasoline	liter	117,564
2	DO	ton	678
3	Electricity	kWh	2,318,523
4	Water	m ³	20,001

PV Drilling also concentrated on saving fuel in all activities; and raise employees' awareness in this matter by wide spreading and promoting "protect environment activities" at office, plants and fields such as using 2 sided-printing papers, saving electricity - water, reusing gloves and rags, regular maintenance of equipment, improving the efficiency of using equipment and optimizing energy used ..., which has contributed to reduce 42% of DO consumption in 2018 approximately of 678 tons compared to 1,179 tons of 2017.

Some of PV Drilling's subsidiaries also have researched applied successfully initiatives to improve product / service quality, fuel saving and emission reduction. Typically, PVD Offshore has successfully applied initiative in recirculation washing system at refurbishment workshop, whereby, used washing water will be filter and reused for the next process, which contributed in saving 480 m³ in 2018.

3.2 Waste management

Solid waste:

At PV Drilling, waste management has always been focused on all activities from office to onshore facilities as well as all the offshore rigs.

Waste classification is always strictly complied in accordance with current regulations in the whole corporation. Waste generated from PV Drilling's production and business activities includes 3 main types: domestic solid waste, industrial solid waste and hazardous waste. Waste is classified and stored depending on its characteristics at source such as solid, liquid or mud. All subsidiaries of PV Drilling had a waste classification processes which are suitable to their activities as well as contracts with companies specializing in handling waste.

Table 2. The total amount of waste generated in 2018

No.	Type	Unit	Quantity of emissions
1	Domestic solid waste	ton	208
2	Hazardous waste	ton	197
3	Ordinary industrial solid waste	ton	2
4	Water	m ³	20,001

Waste water:

All onshore production facilities of PV Drilling located in the industrial zone, so all wastewater is collected into the centralized wastewater treatment system of the industrial zone.

For wastewater treatment at offshore rigs, PV Drilling installed modern wastewater treatment systems to treat domestic wastewater, production wastewater and reservoir water ... to meet the requirements of the Vietnam standard or international standards before being discharged into the sea in accordance with international conventions that Vietnam has signed.

Table 3. The amount of wastewater generated in 2018

No.	Type	Unit	Quantity of emissions
1	Domestic wastewater	m ³	9,339
2	Industrial wastewater	m ³	4,603

3.3 Complying with environmental law requirements

Việc cập nhật các yêu cầu pháp luật về môi trường được Updating requirements of environmental law is strictly regulated in PV Drilling's compliance procedure and other requirements (PVD / HSEQ / 007); and conducted regularly and continuously in quarterly seminars, newsletters ...

In 2018, there were no claims or penalties against PV Drilling by the authorities regarding the environment. Moreover, PV Drilling always focuses and assesses the compliance with environmental law of subcontractors and suppliers by conducting annual evaluation on their HSEQ management system. In 2018, PV Drilling conducted HSEQ management system assessments at partners such as: ODFJELL Well Services Company, the LDT Joint Stock Company, Ha Loc Company Limited, Branch of Vietnam Oil

and Gas Joint Stock Company (PTSC SB), Industry Joint Stock Company, Duc Tung Company Limited, CANDT Trading & Service Co., Ltd....The results were recorded and mutually agreed between the parties to enhance environmental protection as well as to ensure the compliance with relevant legal requirements.

II. OUTSTANDING ACHIEVEMENTS IN SAFETY - HEALTH - ENVIRONMENT - QUALITY ACTIVITIES OF PV DRILLING CORPORATION IN 2018

The HSEQ integrated management system is maintained in accordance with the requirements of ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007, continuously improved and effectively applied throughout the Corporation. In addition to the application of the above standards, there are 3 subsidiaries applying API Spec Q1 standard: PVD Offshore, Vietubes and PVD - OSI; besides, PVD - Baker Hughes joint venture applies management system according to the global system of the parent company.

PVD Well Services has accomplished the establishment of the Quality Management System in accordance with API Spec Q2 standard. The system has been certified by American Petroleum Institute and was officially granted API Spec Q2 Certificate on 20th Dec 2018, making PVD WS the first subsidiary of PV Drilling and Vietnam Oil and Gas Industry as well to be certified API Spec Q2 standard - the most prestigious certificate in the global Oil and Gas industry for service providers.

Drilling rigs owned by PV Drilling Corporation achieved many consecutive years without lost time incidents (Zero LTI) according to the criteria of IADC (International Association of Drilling Contractors) and were accredited by IADC as follows

- PV DRILLING I achieved 12-year Zero LTI on March 10, 2019.
- PV DRILLING II achieved 9-year Zero LTI on September 15, 2018.
- PV DRILLING III achieved 9-year Zero LTI on November 12, 2018.
- PV DRILLING VI achieved 4-year Zero LTI on February 28, 2019.
- PV DRILLING V achieved 6-year Zero LTI on December 3, 2018.
- PV DRILLING 11 land rig achieved 2- year Zero LTI on July 1, 2018.

This is a proud achievement of management and crew on Jack-up rigs of PV DRILLING I, II, III, VI, TAD rig of PV DRILLING V, PV DRILLING 11 land rig and the whole employees of PV Drilling Corporation, thus affirming the capability of PV Drilling to control and operate the rigs more effectively and safely. Particularly, safety achievements of Jack Up Rigs PV DRILLING I, II and III are of international records, contributing significantly to improve the reputation and image of PV Drilling Corporation in international arena.

From 4th June to 22nd August 2018, PV DRILLING I implemented the drilling campaign for Japan Vietnam Petroleum Company (JVPC) in an absolutely safe manner. On the occasion of the successful completion of the drilling campaign, the General Director of Japan Vietnam Petroleum Company sent a congratulatory letter to PV Drilling's Board of Management, Rig Manager and all crew members of PV DRILLING I. In the letter, JVPC General Director recognized the safe operation performance of the rig, and also expressed thanks to the staff of PV DRILLING I for their great efforts to help JVPC achieve its safety objectives. Besides, Japan Vietnam Petroleum Company also sent a Letter of Appreciation to PVD Well Services to recognize and thank for excellent Casing & Tubing running services which included E-26P well workover and E-23P well drilling and completion with a depth of 3,400m.

On 10th October 2018, the General Director of Cuu Long Joint Operating Company (CLJOC) sent a congratulatory letter to PV Drilling's Board of Management, acknowledging the world-class outstanding performance of the PV DRILLING VI rig in 77 days of implementing drilling campaign 2018 ST-3P-ST for Cuu Long Joint Operating Company, safe operation with zero LTI and very low NPT of 0.03%.

Drilling rigs owned by PV Drilling Corporation achieved many consecutive years without Lost Time Incident (LTI) according to the criteria of the International Association of Drilling Contractors (IADC) and were accredited by IADC.

Plaque of Appreciation from Customers



Business Activities Associated with The Community And Society

Every year, PV Drilling spends a part of its profits to implement social security activities, share and contribute to the community. The implementation of social security programs is part of the annual development plan of the Corporation.



PV Drilling's CSR activities

Almost
300
VND Billion

Devotion to children at flood areas in Quang Binh, Ha Tinh, Binh Dinh anh Khanh Hoa

261
VND Million

Settlement of CSR activities under cooperation agreement of the past years

12.5
VND Billion

Allowance for disadvantaged staff

408
VND Million

Vietnam is gradually integrating international and public economy, Social security has become a driving force for economic development and sustainable growth of businesses career. Ensuring social security is consistent and consistent throughout the Party in the leadership of the country. Here is the basic policy to reduce poverty, ensure the life of people, doing justice, creating social consensus, contributing to maintaining political stability, ensuring order and security whole society and strengthening national defense and security.

Since its establishment, PV Drilling has always been known as an enterprise with positive contributions to society and the community with its annual social security programs stretching across the S-shaped strip of land. "Linking the production and business activities of PV Drilling to the community and society" has become the mission and the aspiration of all PV Drilling's Board of Management and employees.

Responsibility for employees

During 17 years since its establishment, PV Drilling has always fulfilled its tax obligations and paid to the state budget. Besides, PV Drilling has always attracted a large number of employees working with the number of employees from 300 people since its inception, now that number is over 1,718 people. Employees working at the Corporation and its member units are assigned suitable jobs, paid and enjoy social welfare regimes according to their contribution capacity and law provisions.

At PV Drilling, employees are interested in participating in activities that bring great spiritual value after working hours. Activities to take care of supporting workers suffering from serious diseases, Happy New Year workers directly on the rigs and production bases, rewarding good students, sports festivals, performances, female activities ... brought to the conclusion between employees and enterprises.

Goals with the community

Leaders and employees of PV Drilling are always interested in sharing difficulties to improve the quality of community life, while demonstrating the social responsibility of businesses, while showing great humanity and contributing to ensuring the sustainable development of PV Drilling.

Every year, PV Drilling spends a part of its profits to implement social security activities, share and contribute to the community. The implementation of social security programs is part of the annual development plan of the Corporation. In the years from 2012 - 2016, many social security projects in provinces such as Ha Giang, Lao Cai, Thai Binh, Nam Dinh, Quang Nam, Quang Binh, Quang Tri ... have been completed and handed over to localities. put into effective use on time, with a total amount of up to nearly VND 300 billion. Many localities after being supported, people's lives have been stabilized and improved

In the years from 2016 up to now, although there are many changes in the domestic and international economy, the oil price crisis has significantly affected the financial indicators, but PV Drilling still maintains its voluntary and many social activities, donating of health insurance cards, furniture and school equipment to children in flooded areas of Quang Binh, Ha Tinh, Binh Dinh and Khanh Hoa with the amount of VND 261 million. Settlement of social security costs under the cooperation agreement of previous years was VND 12.5 billion. In addition, the Corporation also cares for employees / relatives of disadvantaged workers affected by natural disasters, floods, serious illnesses, workers who wait for work ... with numbers VND 408 million.

Active in Social Security is a traditional cultural beauty of PV Drilling, contributing to the sustainable development of the Corporation.

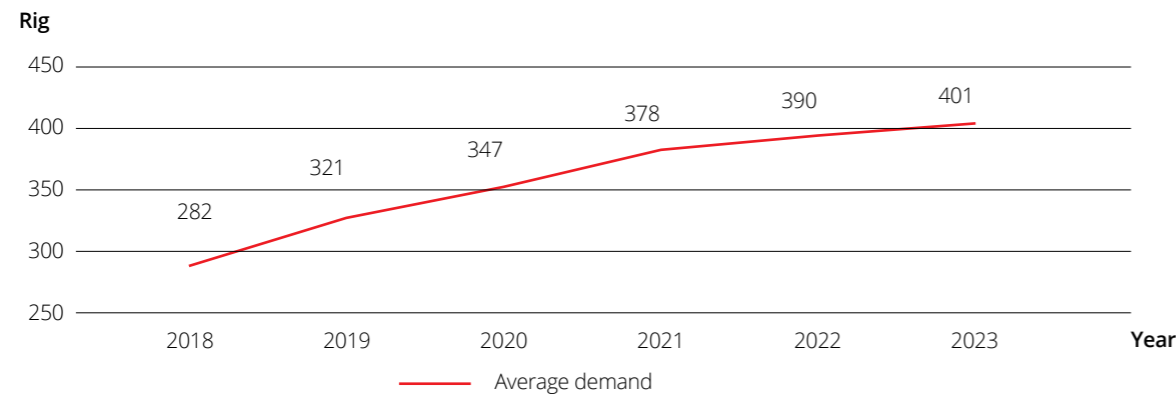
Oil and Gas Market in 2019

In 2019, the world economy was projected to continue a good growth rate of 3.9% and the global crude oil demand would also reach 100.08 mil barrels/day, increasing by 1.29 mil barrels/day compared to the average of 2018 (Source: OPEC). However, due to nature of crude oil's behavior which is unpredictable and sensitive with the impacts of the world's political and economic events, crude oil prices will continue to be an unknown factor of the oil market. Influences of the trade war between the U.S and China, the embargo imposed on Iran, the riot in Venezuela, the shale oil production in US, and especially the act of OPEC and other key players in complying with the agreement of cutting oil production will play a significant role in shaping the prospect of crude oil prices in 2019. In such context, reputable financial and banking institutions such as Goldman Sach, McKinsey, JP Morgan Chase have given the forecasts that suggest the oil prices of 2019 will be potentially lower than that of 2018, reaching a popular figure of \$65 - \$70/barrel (Brent). Nevertheless, this is still a range attractive enough to maintain the recovery momentum of the whole market, and the drilling industry in particular.

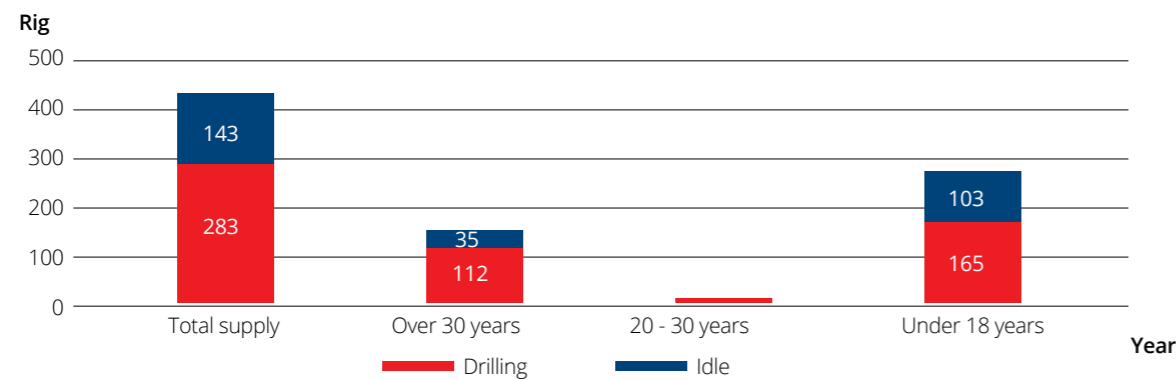
At the moment, the day rates for drilling rigs are fluctuating at a low threshold in comparison with those of the pre-crisis period. The average day rates of 400ft jack-up is

55,000-60,000 USD/day in Southeast Asia, and around 78,000 USD/day in the Gulf of Mexico. Therefore, with the above forecast for oil price, it would be cost-effective to execute long-term drilling programs in 2019. It is most likely that oil companies will take advantage of such opportunity before the day rates bounce back. With the current attrition rate of 30-years-plus rigs (around 112 rigs) and cold-stacked ones in the market, the drilling contractors expect the jack up rig utilization will soon reach 85% (equivalent to roughly 420 rigs engaged in operation) within the next 4-5 years, making a fulcrum for considerable recovery of rig day rates. (Source: IHS).

In Southeast Asia, the jack up market will become more dynamic with the demand of 32 - 40 rigs, reaching its peak demand during the second and third quarter of 2019. Countries with high rig demand shall be Malaysia, followed by Thailand, Indonesia and Vietnam. Accordingly, jack-up rig utilization can top out at 74% in September 2019. With regards to the day rates, regardless of a few cases of low-price contracts caused by contractors from India and China, most drilling contractors tend to escalate the bar for more reasonable day rates. The forecasts suggest that the rig day rates in 2019 will fluctuate within the range of 55,000 - 65,000 USD/day. (Source: Westwood Riglogix).



Expected jack up demand up to 2023 (Source: IHS)



Statistic data of rig age in 2018 (Source: IHS)



Solutions and Strategies of PV Drilling

In 2018, despite the limited number of drilling programs in Vietnam, not to mention the modest day rates and the fragile policy barriers in protecting local drilling rigs from the competition of foreign ones, the management and staff of PV Drilling have shown remarkable efforts in tackling and overcoming the market challenges. In addition to achieving several drilling contracts in Vietnam, PV Drilling was taking proactive steps in approaching potential clients in Malaysia, Myanmar and Thailand in search for opportunities to ensure sufficient work volume for the rig fleet in long term.

The oil and gas market in 2019 is predicted to be brighter, particularly in the aspect of rig demand. However, the competition between drilling contractors will remain intense as rig surplus is still a resilient problem. With many options available, the oil and gas companies will continue to apply strict requirements in selecting drilling rigs for their programs, especially about the management system, operational efficiency, safety level and expertise of rig crew. In order to maintain the effective operation of the rig fleet and prepare for a new phase of development, all management and staffs of PV Drilling will strive with all possible efforts to perform the following important missions:

- Bringing at least two jack-up rigs to overseas markets for long-term operation, focusing on the potential markets such as Malaysia, Indonesia and Thailand. With the current work prospect in these markets, the target of

winning more drilling contracts is totally feasible and achievable. Beside the participation in tendering activities, necessary preparations concerning operational team as well as the supporting facilities have to be executed synchronously at the soonest in 2019.

- In Vietnam market, with the tentative drilling schedule up to present, PV Drilling will need to maintain the operation of 1-2 jack-up rigs for local drilling campaigns. Should any additional rigs are required, PV Drilling will cooperate with international partners to duly cater for such extra demand.
- Oil operators tend to acquire drilling rigs for long-term programs in order to take advantage of the current low day rates. In the context that PV Drilling's rigs will likely be mobilized to different markets, the optimization of managing and utilizing the inventories as well as other resources of the drilling rigs would be critical to enhance operational performance. PV Drilling has complete establishing a supply base in Malaysia. Setting up other bases in different areas in Southeast Asia will also be considered in the upcoming time to assure the best support for the operation of the whole rig fleet.
- The efficiency and safety performance of PV Drilling's rigs has been affirmed throughout many successful drilling programs for oil and gas companies in Southeast Asia in recent years. In order to sustain this

competitive edge, PV Drilling will constantly implement a variety of measures to improve the competency and awareness of the rig crew towards safety matters. The compliance with the workflows and safety policies stipulated in the HSEQ system of PV Drilling and clients will highlighted as the top priority to ensure no accident or LTI happening on PV Drilling's premises including rigs, supply bases, warehouses and workshops.

- PV Drilling will continue to promote marketing activities, seeking opportunities to provide drilling rigs in the region, especially for potential drilling programs in Malaysia, Indonesia, Thailand, Myanmar and Brunei. These are highly potential markets in the upcoming time and they are also relatively close geographically to Vietnam waterfront. Therefore, approaching clients in these markets will bring certain benefits. The study of the local legislations and market requirements has been conducted in cooperation with prestigious legal consulting firms. Upon acquiring sufficient conditions, it would be feasible to conquer these new markets. In addition, PV Drilling also targets at further objectives in the Middle East. Last year, PV Drilling already approached and discussed with some potential partners to promote services in Kuwait and Saudi Arabia. In 2019, PV Drilling will continue following up closely to timely grab the opportunities in this huge market.

- With the successes in providing Bundled Services throughout the past years, PV Drilling is fully confident of further developing this service sector, not only in Vietnam but in Malaysia as well.
- In the recent years, PV Drilling has well executed the cost control measures, enhanced the management toward the functions of finance, cash flow and budget to improve the business performance of the Corporation as a whole and rig fleet in particular, thereby facilitating PV Drilling to survive and overcome the toughest moments in this past crisis. In view of the market prospect, PV Drilling will continue to optimize the cost control function, and simultaneously consider resuming the re-investment in infrastructure and drilling rigs in order to ensure that the rig fleet will operate effectively and can compete with new generation rigs in the current market.
- Continuing to maintain a lean organizational structure and a professional human resource, developing a skillful workforce from internal source. PV Drilling succeeded in promoting a Vietnamese technical team capable of undertaking all the major positions on its drilling rigs. Thanks to the bold investments for in-depth training activities and creating opportunities for the rig crew to be exposed to new challenges, PV Drilling's screws has earned the trust of clients in operating rigs and managing drilling programs.

Throughout over four years under the impacts of the crude oil price crisis, PV Drilling has utilized and promoted its inherent potentials to the utmost in order to overcome numerous difficulties and challenges, solidifying its prestige in the local and international drilling industry. At present, it is undoubted that PV Drilling is fully confident of tendering for drilling programs, competing head-on with other prestigious and reputable drilling contractors in the world. With the modern and reliable rig fleet recognized by both domestic and international clients, along with a coherent management and professional crew who have steadily withstood all the toughest challenges of the industry, we firmly believes in a brighter future where PV Drilling would reach even greater development targets, promote its brand name to the furthest extent and conquer new milestones of achievement in the future.

Operating under the oil slump for the past 4 years, PV Drilling has made the most efficient use of available resources to confront all adversities, continuing to build up its prestige in the country and the region.



Business Plan in 2019

1. Business plan in 2019

In 2019, oil demand is expected to maintain an average increase in about 1.2 million barrel/day (based on International Energy Agency forecast - IEA) while oil supply will be maintained at a low level due to agreements of output decrease between OPEC and Russia signed in 2018, Arab's aggression acts in early months of 2019 as well as a decrease of the USA's crude oil inventories at the end of March 2019, which all revealed signs of a steady increase in crude oil price. As a result, World Bank (WB) and International Monetary Fund (IMF) forecast that Brent crude oil prices in 2019 will be remained above 65 USD / barrel.

For oil and gas drilling market, thanks to positive forecast of crude oil price increase, regional drilling contractors have been activating and implementing many exploration and production campaigns. Southeast Asian drilling markets such as Malaysia, Indonesia and Thailand...have already responded to the increase in price although day rate has not been fully improved due to a huge rig supply in the market. No matter what day rate is, the warm-up market is a good sign for PV Drilling while we have affirmed our reputation as a young drilling contractor owning a modern rig fleet with safe and efficient operation and a qualified workforce. Following the initial but essential success of

service expansion to overseas markets in 2017 and 2018, in the first quarter of 2019, PV Drilling continued to get more long-term contracts of rig provision for Repsol, Sapura, Petronas, Hibicus in Malaysia; more importantly, another drilling market (Indonesia) which is very difficult to get jobs had a tendency to choose our rigs for their campaign.

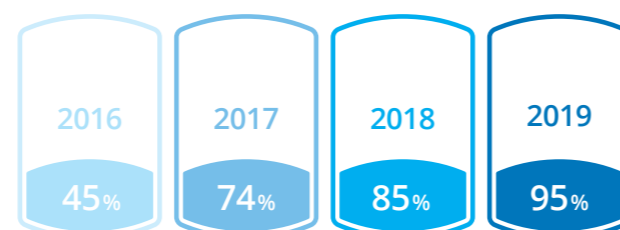
PV Drilling has gradually shifted from work insufficiency to rig insufficiency if the domestic drilling market is warmed up in the upcoming time. Hence, PV Drilling's management has chosen an option of rig rental in case of domestic market demand. For the TAD, after the delay of Ca Rong Do project, PV Drilling has been actively working with both local and regional partners in order for the TAD to get job as soon as possible.

While drilling market have positive signs with a gradually improving utilization rate of 45% in 2016, 74% in 2017, 85% in 2018, and about 95% in year 2019, day rate still needs some time to go up; therefore, PV Drilling's business performance can't be immediately affected. Consequently, PV Drilling set its business targets with revenue of VND 3,850 billion and no loss in 2019 with great caution of market fluctuations and prospect of inability to collect bad debts from PVEP. We will exert all of our efforts to fulfill and even exceed this plan to meet shareholders' expectation.

2019 Consolidated Business Plan:

Indicators	Plan 2019	Actual 2018	Unit: VND billion	
			Plan 2019 vs. Actual 2018	%
Revenue	3,850	5,500	(1,650)	-30%
Profit after tax (of the Company's shareholders)	-	198	-	
Amount payable to State Budget	360	692	(332)	-48%

PV Drilling's rig utilization rate has improved annually:



2. Investment plan in 2019

In 2019, PV Drilling will focus to invest high technical equipment used for drilling services, and essential equipment for developing new services (included using Science and Technology Development Fund). PV Drilling

continues to invest on the management projects, such as: completing the establishment of Enterprise Risk Management System, completing and go-live the ERP Oracle Phase III.

The total value of investment of year 2019 as below:

No.	Items	Plan (VND Billion)	Owners' equity (VND Billion)	Loan+ others (VND Billion)
I	Carry forward investment	33.8	33.5	0.3
A	The Holding Company's Investment	8.1	8.1	-
1	Establishment of Enterprise Risk Management system	0.5	0.5	
2	Purchasing of software license and services to initiate Oracle Hyperion Budget Management and Intelligent Business (ERP-Phase III)	7.7	7.7	
B	Subsidiaries' investment	25.6	25.3	0.3
1	Building the PV Drilling office in Vung Tau City	23.0	23.0	
2	Hydraulic Extendable Bail Arm	0.3		0.3
3	Equipment	2.3	2.3	
II	Investment in 2019	120.2	92.4	27.8
A	The Holding Company's Investment	27.4	27.4	
1	Purchasing drilling pipe/heavy drilling pipe used for PV DRILLING I, PV DRILLING II	24.4	24.4	
2	Other equipment	3.0	3.0	
B	Subsidiaries' investment	92.8	65.0	27.8
1	Equipment for workshop and oil spill service	5.4	5.4	
2	Casing running tool - internal (CRTI)	15.9		15.9
3	Well technical equipment	22.9	11.0	11.9
4	Flyline Unit	14.6	14.6	
5	Equipment for Slickline services	10.1	10.1	
6	PCE 4 inch ID	8.3	8.3	
7	Equipment for technical service	4.2	4.2	
8	Training equipment	6.8	6.8	
9	Office equipment and others	4.6	4.6	
Total		154.0	125.8	28.1

Cost Reduction in 2019

The Oil and Gas Association and Experts forecasted that the industry has continuously faced with many difficulties and challenges in 2019. In this circumstance, PV Drilling's Management team has implemented comprehensive reduction of all cost centers and strengthened resource restructuring in order to maintain effective production and activities in 2019. Two main groups of solution include:

1. Promote comprehensive solutions to cut production and business costs in 2019:

The Corporation has strengthened the propagation of cutting cost and prevention of waste to all employees to enhance the saving culture in the current context. Continuing to promote the effectiveness of previous years solutions as follow:

- **The rig operating cost:** With a high proportion of over 50% of the total operating costs of the Corporation, the reduction of rig operating costs is still an effective solution to help PV Drilling stand firm in the period of decreasing in day rate, even the day rate lower than its cost due to the supply of drilling rigs is exceeding demand and extending waiting time with details as follows:
 - Strengthen controlling of purchasing materials, equipment and negotiate with suppliers to reduce purchasing prices to optimize input costs for rigs;
 - Promote checking and controlling rigs maintenance, machinery, equipment; researching and self-repairing damaged equipment as well as systems instead of outsourcing;
 - Strengthen inventory management through reviewing the most efficient minimum/maximum storage material level (min/max Level), coordinating, transferring internal inventory between BUs to use resources effectively.
- **Labor cost:** The decision to restructure and reduce human resources in the Corporation is a solution which was carefully considered by the Board of Management. This solution is implemented as follows:
 - Restructure and reorganize the specific workload of each staff, reduce working hours in accordance with the specific work intensity in the current situation to minimize wage costs;
 - Promote the implementation of the policy of replacing expatriates by local employees who have similar qualifications and capabilities but lower salary;
 - Stop recruitment and postpone employment contracts of idling staffs; arrange concurrent position to optimize human resources.

- Commercial and administrative costs:

- Continue to negotiate with suppliers/partners to reduce purchasing prices or increase the discount payment rates;
- Take advantage of internal resources to produce products instead of buying finished products, looking for the most optimal supplier to buy materials;
- Use the Science and Technology Development Fund to invest, purchase the necessary assets, focus on research projects to improve science and technology, from which prepare potential development when the market flourishes.
- Continuing to maintain optimal cutting some expenses such as gift expenses, conference organization costs, guest expenses, cellphone expenses, transportation expenses ...

2. Implementing Resolution No. 7779 / NQ-DKVN

dated December 17, 2018 of the Board of Management of Vietnam Oil and Gas Group on restructuring the Corporation, accordingly, the Board of Management continues to restructure the organization, business size and scope, considering merging subsidiaries with the same business activities ... to fit current market conditions, reduce management and operation costs. The restructuring is carried out mainly around the following issues:

- Focusing on core services: each service of each BUs is re-evaluated its performance to provide appropriate solutions such as: merger, replacement, transfer to specialized BUs or consider new services development, meeting market conditions and needs.
- Restructure organization and human resources: Management models as well as the role of each functional / personnel department in each stage of the value chain from BUs to the Corporations are re-evaluated for effectiveness. Accordingly, the models, divisions, functions as well as the performance of each employee will be adjusted, omitted or restructured / assigned to suit current conditions. The restructure organization and human resources are implemented through a unified and tight controlled roadmap to ensure the suitability and does not affect the production and business activities as well as prestige and brand of the Corporation and the BUs. Besides, the training of high-tech human resources of Vietnamese to replace experts and the ability to combine internal resources among BUs to jointly implement services for partners, customers are always paid special attention by the Board of Directors.

- Optimizing the infrastructure: reviewing the utilization of infrastructure resources such as offices, machinery and warehousing in BUs and the Corporations in order to make plans for internal use, cut down hiring cost and optimize performance in the current difficult period.

The synchronous implementation of groups of cost-cutting solutions is to show the unity, solidarity and willingness to share the difficulties among the top management and all

employees in the current difficult situation, helping the Corporation maintain the pioneering spirit in business activities, encouraging employees to continuously maintain the enthusiasm, untiring perseverance and devotion in works. The combination of effective cost-cutting solutions and confidence in the future positive changes of the market, surely the Corporation will overcome the current challenges.

The synchronous implementation of groups of cost-cutting solutions is to show the unity, solidarity and willingness to share the difficulties among the top management and all employees in the current difficult situation, helping the Corporation maintain the pioneering spirit in business activities, encouraging employees to continuously maintain the enthusiasm, untiring perseverance and devotion in works.



The implementation of restructuring at PV Drilling



PV Drilling will exert its best effort and great determination in implementation of enterprise restructuring to make the Corporation structure more streamlined in order to ensure cost reduction, business operation enhancement and competitiveness strengths, adapting with current business environment and promoting sustainable and efficient economic development.



In case of market recovery, PV Drilling will regularly consider implementing enterprise restructuring; rearranging its entity and strengthening its management team to promote its competitiveness strengths and effective business operation adapting with current business conditions.



SUSTAIN THE PIONEER SPIRIT

Sustainable development is one of PV Drilling's main goals. However, the journey toward sustainable development still has lots of arduousness and challenges ahead. In order to accomplish this mission, PV Drilling management and staffs have to unify, take untiring perseverance, maintain the enthusiasm and nurture the belief and ambition to make the company steady at its position of Pioneer of Vietnam Drillers.

PV Drilling
ANNUAL REPORT **2018**

Untiring Perseverance
Overview of The Sustainable Development Report in 2018
Strategy for Sustainable Development
Management Structure of Sustainable Development
Sustainable Business Model
Stakeholders Engagement & Assessment of Key Business Sectors
The Industrial Revolution 4.0
Internal Control and Risk Management System
In Relations with the Governmental Authorities, and Fulfilling The Duties & Obligations



Untiring Perseverance

Dear all valued PV Drilling's employees!

Our Corporation, PV Drilling has spent the year 2018 with full of challenges and turbulences causing by the ups and downs of both local and international oil and gas market. Despite confronting numerous unfavorable conditions of the market, PV Drilling has exerted its effort to the fullest extent, overcoming all adversities and achieving a certain number of successes. We recorded the total revenue of VND 5,500 billion and the profit after tax of VND 198 billion.

The business performance in 2018 might seem humble aside the prominent achievements of previous years. However, put it into the context of the most ferocious period in the history of the oil and gas industry since the oil slump started at the end of 2014 and didn't recover yet, PV Drilling's business results have definitely reflected a remarkable breakthrough of its management team in implementation of various effective solutions for our business operation such as finding jobs for the rig fleet at overseas markets, ensuring cash flow, fulfilling business plan, and more importantly, persistently pursuing the goal of becoming a reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry with premium service quality, rig operation with Zero LTI award (No Lost time incidents) and efficiency rate over 98%; furthermore, it is the strict discipline, good expertise and professionalism of all the staff, which contributed to the overall remarkable success.

On this occasion, PV Drilling's management team would like to send the most sincere thanks to all of our staff, those who are always enthusiastic, utterly dedicated, and tirelessly working whether directly on the rig or onshore. It is their devotion that helps PV Drilling to overcome all the obstacles and challenges, continuing to be a big family for almost 2,000 employees with the belief that under the direction of current management team, PV Drilling will go a long way for better success and sustainable growth.

Dear our esteemed employees,

It is not a long journey for PV Drilling with 17 years of establishment and development; however, in such time, PV Drilling has been managing to confront numerous challenges

and hindrances so that we can change from a small workshop with basic services into a young well-known drilling contractor in the region, owning the modern rig fleet with state-of-the-art machinery and professional workforce, with total asset over USD 1 billion and profit after tax maximum of over VND 2,000 billion... We have the right to be extremely proud of this tremendous success as it is not because of luck, but because of the strong will, great deal of intellectual effort, high aspirations and firm belief of all the staff about the sustainable growth pathway of PV Drilling.

As oil and gas industry is a field full of risks and challenges, PV Drilling might always be in the face of adversities but never tempt to give up. Operating under the burden of oil slump within the past 3 years, the workforce has accumulated more experiences to deal with greater challenges. We shall confront all adversities with the target of turning crisis into opportunities. We will work out effective solutions to turn what seems to be an unending stream of difficulty into advantage by enhancing our staff's spirit of bravery, an "oil and gas" spirit to deal with hardship as the saying "Fire proves gold, adversity proves men". We believe that hardship can't discourage us, the pioneer of Vietnam drillers; on the contrast, it will help to enrich our morale, bravery and intellectuals. Looking back through 17 years of achievements, we firmly believe that nothing can stop PV Drilling to achieve more success in the future provided that we can remain the pioneer spirit, untiring perseverance and remarkable resilience.

In our corporate development strategy, we consistently follow the sustainable growth focusing on the main 3 aspects: business development, the community and the environment. We will develop our business operation along with social growth and environmental protection. Our mission to build and promote the position of PV Drilling in the region and all over the world will require extreme resilience in a long term time. Thus, every member of PV Drilling's Management team and staff shall exert the utmost effort to realize the Vision of "becoming a reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry" by burning an eternal

flame, preserving our core values and achieving the assigned targets in 2019 via the comprehensive plan as follows:

- Continue to preserve our core values such as maintaining and training the workforce, getting more achievements in HSEQ activities, maintaining the corporate cultures toward the community and corporate social responsibility;
- Ensure the efficient and safe operation of the rig fleet, guarantee the premium quality and most competitive prices for the provision of every service;
- Consolidate local market share, expand rig provision and other technical services to overseas markets, and make the most efficient use of internal resources.
- Enhance finance management, conduct optimization solutions, mitigate costs and expenses to ensure business performance and make use of all internal resources.

In addition, PV Drilling's management team would like to take this chance to ask the staff to be more enthusiastic, more united in pursuing the common goal of PV Drilling's overcoming all the rough waves. The future of PV Drilling will be made with our spirit, talent and enthusiasm deep inside our strong mind. Therefore, anyone of us should know about our role, our responsibility and accordingly, let's work more unitedly, more decisively, and more consistently to contribute to PV Drilling's business results and "Take Untiring Perseverance", maintaining the passion which the founding members have strongly burnt to the next generation, so that PV Drilling can continue to make the most efficient use of available resources, make a connection between knowledge and power, make an integration between abilities and achievements... in order to enhance the Corporation's strengths and values. PV Drilling will absolutely have more outstanding achievements in the years to come, so it's our duties to contribute and mark it magnanimous and extremely rewardable to maintain its worthy brand name "PV Drilling" and the strong spirit of "Pioneer of Vietnam Drillers".

Sustainable growth is among the top targets that PV Drilling would like to achieve regardless of all obstacles occurring in current business operation conditions. This is the chance for PV Drilling to restructure its entity and choose an appropriate method to get through all hardships and reach more success.

The prospect in the near future might seem tough for PV Drilling as concerns about unpredictable market fluctuations are still mentioned. However, we can trust on the appropriate orientation of the current management team along with the dedicated, motivated and qualified workforce, PV Drilling, therefore, will definitely have the opportunities to develop its capacity and grow further in the upcoming period in the pursuance of its ultimate vision and sustainable growth pathway. So be confident with the "golden mind and strong power" of ourselves!

PV Drilling's Management team and staff shall exert the utmost effort to realize the Vision of "becoming a reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry" by "Taking Untiring Perseverance", preserving our core values and achieving the assigned targets in 2019 via the comprehensive plan as follows:

Continue to preserve our core values such as maintaining and training the workforce, getting more achievements in HSEQ activities, maintaining the corporate cultures toward the community and corporate social responsibility;

Ensure the efficient and safe operation of the rig fleet, guarantee the premium quality and most competitive prices for the provision of every service;

Consolidate local market share, expand rig provision and other technical services to overseas markets, and make the most efficient use of internal resources.

Enhance finance management, conduct optimization solutions, mitigate costs and expenses to ensure the business performance and make use of all internal resources.

In addition, PV Drilling's management team would like to take this chance to ask the staff to be more enthusiastic, more united in pursuing the common goal of PV Drilling's overcoming all the rough waves and passing the passion which the founding members have strongly burnt to the next generation, so that PV Drilling can continue to make the most efficient use of available resources, a connection between knowledge and power, an integration between abilities and achievements... in order to enhance the Corporation's strengths and values; and to maintain its worthy brand name "PV Drilling" and the strong spirit of "Pioneer of Vietnam Drillers".

Overview of the Sustainable Development Report in 2018

PV Drilling's development strategy to 2025

70-80%



Continue to promote strengths, take high domestic market share, aim to the objective of taking 70-80% drilling market share in Vietnam, expand and push the market share of drilling service and well service higher in SEA and the world, create added value for clients through high quality service and competitive price.

Method of building report

The integrated annual report of the year 2018 of PV Drilling is prepared in compliance with the standard guideline of the Global Reporting Initiative (GRI) in the G4 version, in which is detailed following to Economics – Environment – Sociality fields. Besides, it is also practiced basing on decision No. 622/QĐ-TTg about the issuance of the National Action Plan for the Implementation of the 2030 Sustainable Development Agenda dated 10/05/2017. This decision detailed objectives, together 17 sustainable development goals of UNO (SDGs).

PV Drilling always follows sustainable development strategy, focuses to ensure the quality of human resource, infrastructure, continues to increase competitive capacity and expands to foreign market.

The topics of sustainable development strategy of PV Drilling always follow the sustainable development goals to 2030 of Vietnam as decision No. 622/QĐ-TTg:



Fiscal year

01/01/2018 - 31/12/2018



Report period

Yearly



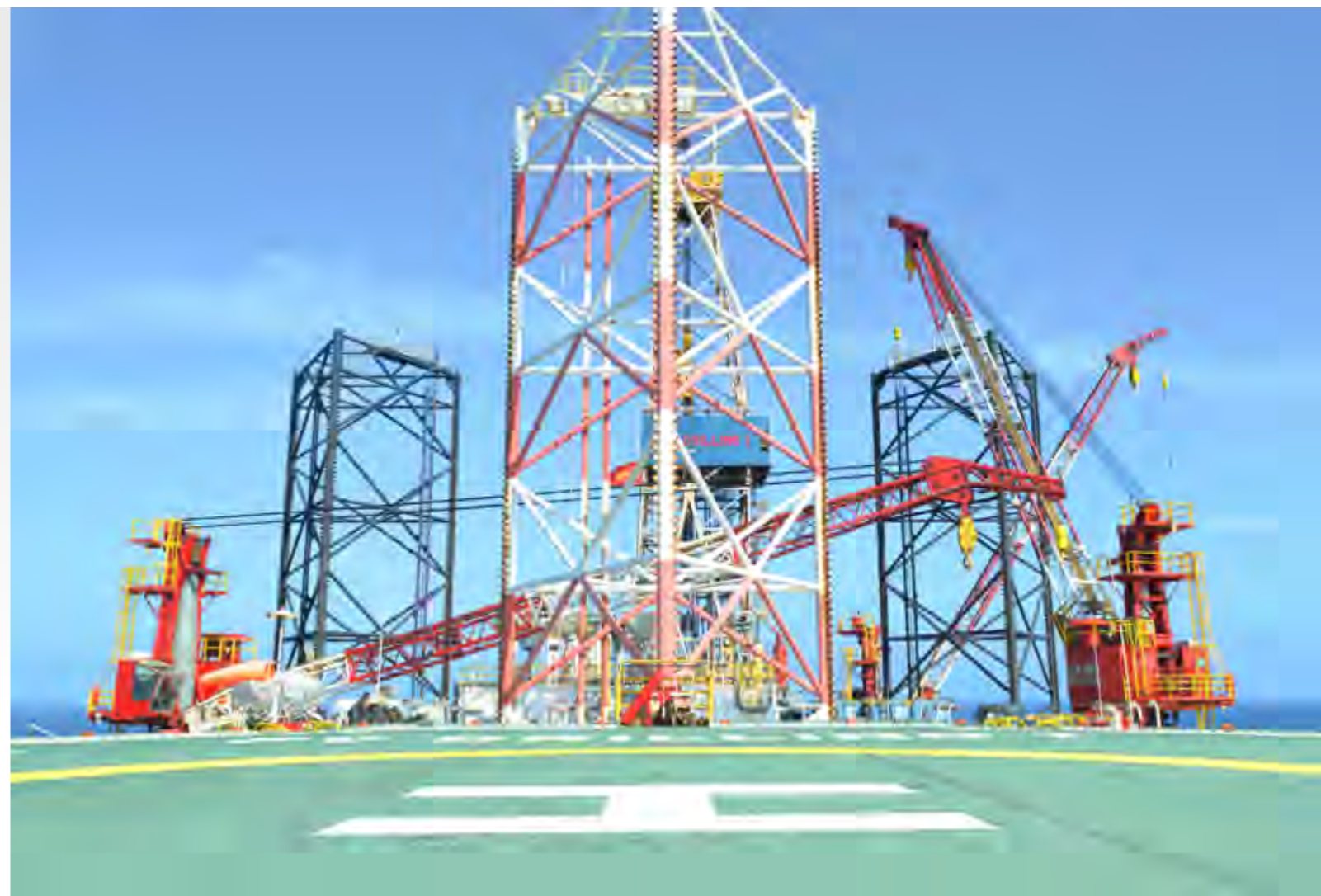
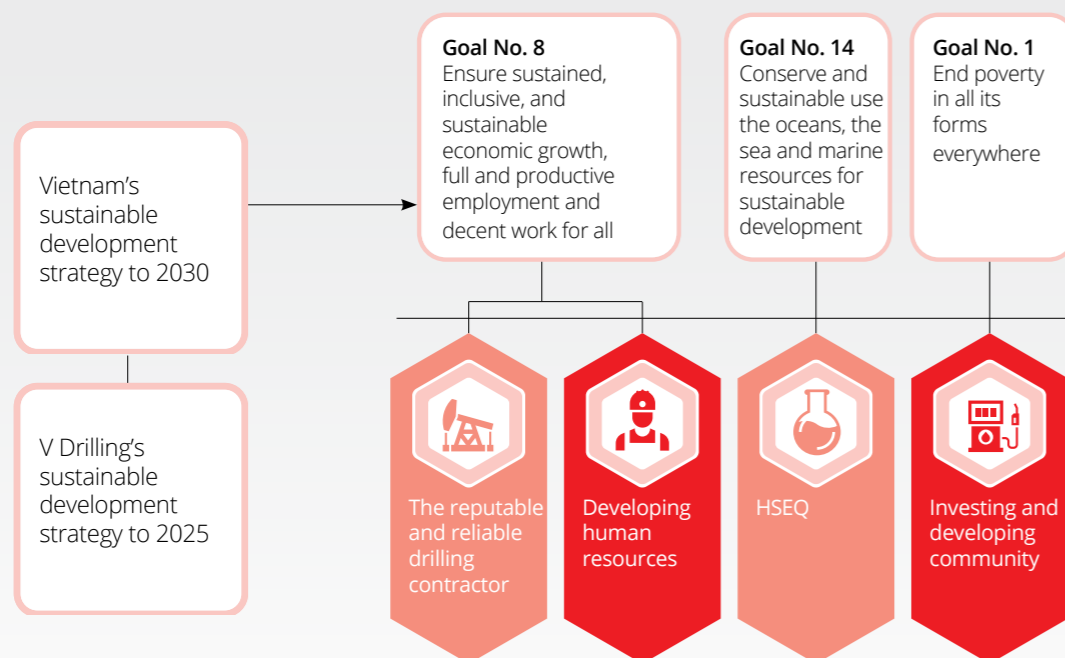
Report domain

The report is limited inside Vietnam domain, including the Holding Company and other subsidiaries



Contact Information

Any contributing ideas for the report or related questions, stakeholders please send to:
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*The curator of report construction:
Mr. Pham Tien Dung – President & CEO



Strategy for Sustainable Development


Corporate governance model

With orientation development to become a prestigious and reliable drilling contractor in both local and international market, PV Drilling has continuously been growing and developing to be a well-known drilling contractor who currently possesses 4 premium Jack-ups, 1 Semi-Submersible Tender Assist (TAD) and 1 Land rig, as well as the sophisticated system of machines and equipment to support a wide range of well technical services from traditional to high technical services. Although PV Drilling's production and business activities are impacted by the recession of the oil and gas market, PV Drilling continuously put its efforts to maintain the quality of services with very high efficient (> 98%) and absolute safety (zero LTI) in the context of optimizing business expenses, manpower, financial constraint and fierce competition. In addition, in order to maintain reputation among drilling contractors in the industry, PV Drilling has succeeded in expanding its drilling services in the international market regardless of the oversupply in drilling rig market. In order to face and confront these obstacles, the corporate governance model which plays an important part to coordinate some core factors such as man power, Safety - Health - Environment - Quality and corporate culture with the orientation of the Boards, was established by the Corporation from since its early days of establishment. In the context of the difficult and challenged oil gas market, the integrated management model is efficiently promoting the core value to help the Corporation face and overcome these obstacles in the near future.


STRATEGIES FOR SUSTAINABLE DEVELOPMENT

- 1


Maintain the position as a prestigious and reliable drilling contractor by enhancing operational capability and delivering high quality services;


- 2


Ensure financial capability, enhance the application of science and technology, focus on solution to optimize cost and maintain the operational efficiency;


- 3

The human resource development strategy focusing on building professional and qualified manpower is considered one of the competitive advantages and most valuable assets of PV Drilling. PV Drilling has been implementing some effective solutions to balance between the operational efficiency of the Corporation and reasonable income level for employees alongside improving the quality of life, morale, attitudes and working environment;


- 4

Maintain sustainable relationships with partners and social community, creating a sustainable culture environment based on human values, improving community living standards and protecting the environment.

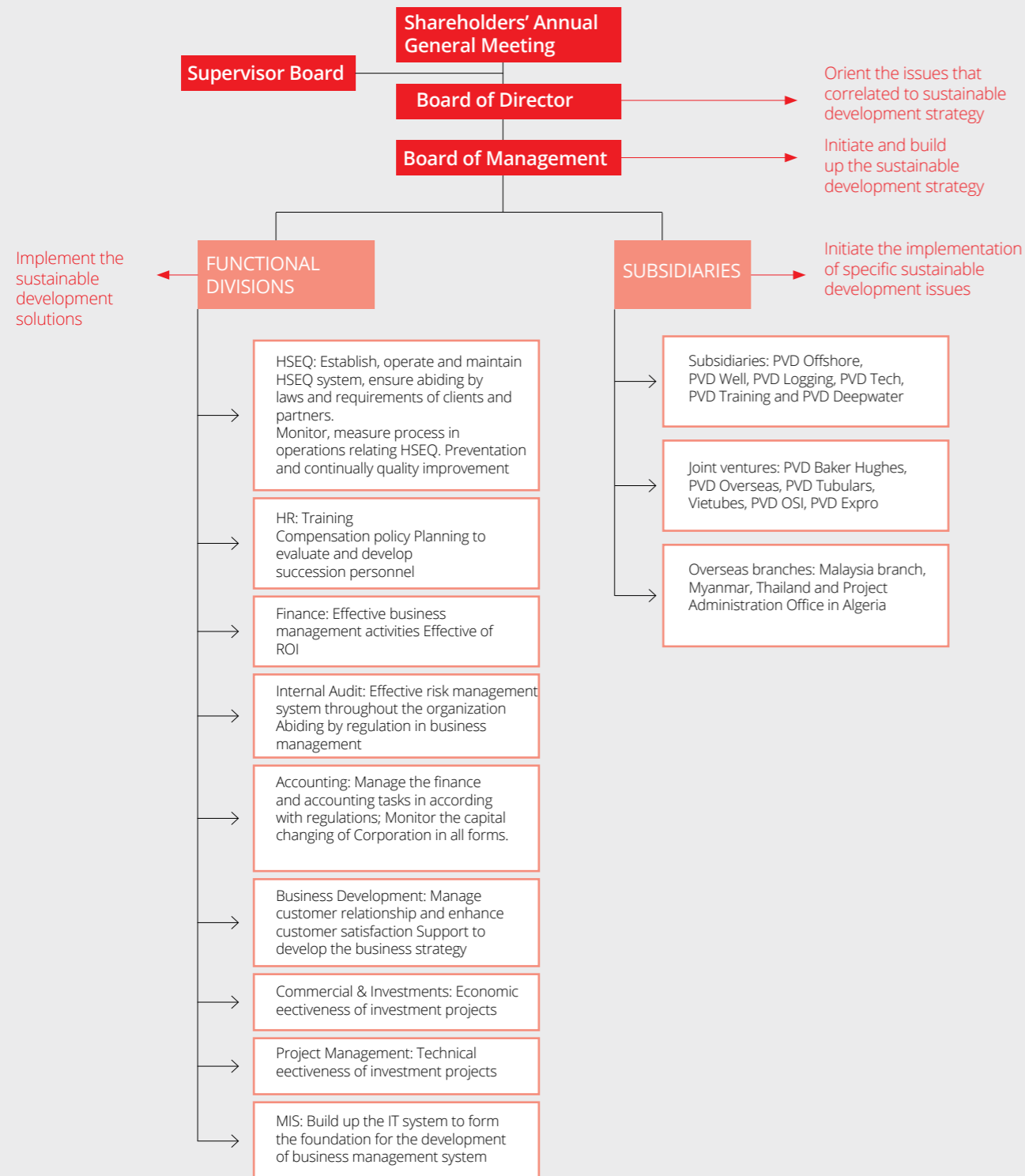


	Objectives	Solutions	Commitment and Target
Reputable and Reliable Drilling Contractor	Enhance operating capabilities, expand market, develop high-technical services, and ensure high service quality.	Successfully applying systems and international standards, such as Enterprise Resource Planning (ERP) Oracle, Maximo (inventory control for rigs), equipment maintenance and management system (RCM - Reliable Maintenance Control). Complete the establishment and apply the professional risk management system (abiding by ISO 31000 and COSO). The ERP Oracle system - phase III (Intelligent Management Reporting System and online budgeting) is in the process of completion. Optimize the operating procedures, and provide good maintenance for drilling rigs. Marketing activities and overseas market researching to find new job opportunities. Prepare resources (manpower, materials, equipment, finance) to adapt for market demands. Ensuring the best service quality.	Achieve revenue and profit plan. Hold the market share of drilling services and well technical services. Rig efficiency: 98% • Operate all rigs safely • Ensure service quality and high customer satisfaction. • Complete the maintenance plans for rigs timely • Increase supplying drilling rigs and other well technical services to overseas.
Ensure financial capability	Enhance the application of science and technology, focus on measures to optimize cost and maintain the business performance.	Continue to review and cut cost, effectively utilizing the available internal resources. Efficiently controlling the cash flow, optimize capital planning. Optimizing operation, repair and maintenance to improve the operational efficiency of drilling rigs and machines; closely monitoring inventories by completing and cross-checking the minimum/maximum inventory of materials and consumables in the most effective manner; strictly controlling the purchase of spare materials and equipment to service drilling rigs. Continuing to negotiate with the suppliers of materials and services to discount the purchase price. The restructuring of the organization, investment and finance.	Ensure to supply to customer the best service quality and continue the sustainable development. • Effectively controlling costs and business strategies, creating the foundation for the stability and sustainable development.
Human resources development	Develop professional human resources with high qualification which is considered as one of the competitive advantages and most valuable assets of PV Drilling.	Flexibility in appropriate income adjustment. Ensure adequate allowances and benefits. Implement a solution to share difficulties but still ensure a reasonable income level while aiming to improve the quality of life, morale, attitudes. Attentions and motivations from the management. • Reinforce manpower training activities to master modern technologies. • Transfer high technology from and replace foreign experts.	Ensure manpower resources quality. Maintain positive relationships inner-company • Nurture enthusiasm by sharing knowledge, experience, ideas and information with each other. • Create a workplace in which people can learn, dedicate, and become more excellent along with PV Drilling's development. • Ensure the safety for people and environment in business execution.
Invest and develop in the community	Build up the business culture that focuses on humanity and professionalism.	• Participate in community activities, develop the business culture that concentrates on community, society, and pay high attention to activities related to education, medicine, and social security. Contribute and develop related government policies.	Ensure an ideal work environment. Ensure the maintenance of social security • Actively contribute to the government policy.

% Progress	Strategic intent	What we want to be	<ul style="list-style-type: none"> Economic: Market share – Profit – Revenue – Operating efficiency – Cutting costs Social: Welfare policy – Insurance – Community Investment Environment: Abiding by regulations of oil spill control and waste, as well as planning for emergent circumstances – Waste and oil spills management – Emergency response Eco-environment: Operating safety – Assurance of service quality – Maintenance and development of HSEQ Socio-economic: Human resource development – Compensation and benefit policy – Code of Conduct – Contribution to government policy Socio-environment: Health safety
	Strategic goals	What we must achieve to get there	
Results	Strategy	How well will achieve goals	
	Solutions	How we will implement strategy	
	Actions & Results	How we are doing so far	

Management Structure of Sustainable Development

At PV Drilling, corporate governance is placed on top and is a key factor. It will support PV Drilling going to right direction, ensure a sustainable growth and effective business performance, contribute to the interests of shareholders and other related parties such as clients, employees and community.



Sustainable Business Model

SUSTAINABLE INPUTS

NAME

- NOV
- KEPPEL FELS
- ARNO

RELIABLE PARTNERS

- BAKER HUGHES
- BJ
- EXPRO
- MARUBENI ITOCHU
- CITRA SUMIT
- OIL STATES
- FALCON ENERGY

RISK FACTORS

- THE IMPACT OF OIL PRICE - SAFETY IN OPERATIONS
- LIMITED RESOURCES
- FINANCE
- COMPLIANCE

1,718 EMPLOYEES

PROFESSIONS AND INTERNATIONAL CERTIFICATIONS:

- BOSIET
- IWCF LEVEL 3, 4
- IADC - H2S...

FINANCE

- LEVERAGE (30% EQUITY : 70% BORROWING)
- SHARE ISSUANCE

ERM SYSTEM

Provides comprehensive information to identify, assess and have risk response guidance in a timely, effective and consistent manner; Continue to conduct at BUs

NATURAL RESOURCES

- POWER: 3.5 MILLION KWH/YEAR
- WATER: USING THE WATER RECYCLING TREATMENT AND USES ONSITE SYSTEM

VALUE DRIVERS

THE REPUTABLE AND RELIABLE DRILLING CONTRACTOR AND DRILLING-RELATED SERVICES PROVIDER

BUSINESS OPERATIONAL EFFICIENCY

HUMAN CAPITAL

SUSTAINABLE RELATIONSHIP WITH PARTNERS AND COMMUNITIES

BUSINESS OPERATIONS

- DRILLING SERVICE**
PVD Drilling Division
PVD Deepwater
PVD Overseas
- WELL HEAD**
PVD Tech
- CEMENTING SERVICE**
BJ - PVD
- CONDUCTOR/CASING/TUBING**
PVD Tubulars Management
PVD OSI
PVD Well Service
Vietubes
- WELL DESIGN & PLANING**
PVD Bakerhughes
- DIRECTIONAL DRILLING**
- MEASUREMENT WHILE DRILLING**
- LOGGING WHILE DRILLING**
PVD Bakerhughes
- MUD LOGGING/ SLICK LIN**
PVD Logging
- TOOL RENTAL SERVICE**
PVD Well Service
PVD Invest
- WELL INTERVENTION**
PVD Baker Hughes
PVD Logging
PVD Expro
- PERFORATIONS/ WELL TEST**
PVD Logging
PVD Expro
- OTHERS**
H2S Safety Service (PVD Invest)
OCTG (PVD Tubulars Management)
Inspection & Repair (PVD Offshore)

DRILLING MANAGEMENT SYSTEM

- HSEQ
- MAXIMO
MAXIMO MIN-MAX MODULE
- IDENTIFYING RISKS & HAZARDS (IADC HSE CASES)
- RCM (RELIABILITY CENTERED MAINTENANCE)
- SUPPLY CHAIN MANAGEMENT

APPLYING ERP ORACLE

- ORACLE APPLICATIONS
FINANCIAL
INVENTORY
PROJECT
PURCHASING
HUMAN RESOURCE
- BUSINESS INTELLIGENCE
ENTERPRISE PLANNING & BUDGETING
DANG TRIEN KHAI
- ORACLE APPLICATIONS
ORACLE APPLICATIONS SERVER
ORACLE DATABASE

SUSTAINABLE OUTCOMES

VALUE TO CUSTOMERS

Providing bundled services through integrated services from beginning drilling to completion drilling the well, ensuring the accomplishment of the drilling campaign

SAFETY & ENVIRONMENT

- Satisfy environment regulations in O&G industry
- Apply ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 to enterprises

4,3 MILLION WORK HOURS WITHOUT A LOST-TIME INCIDENT

ZERO ENVIRONMENTAL VIOLATIONS

REPUTATION

- The Best Oil and Gas Drilling Contractor in Asia for 2012, 2013, 2015
- Operation efficiency: > 98%
- The certifications of IADC:
 - + PV DRILLING I : 12 years Zero LTI
 - + PV DRILLING II & III : 9 years Zero LTI
 - + PV DRILLING V : 6 years Zero LTI
 - + PV DRILLING VI : 4 years Zero LTI
 - + PV DRILLING 11 : 2 years Zero LTI

SOCIAL & COMMUNITIES

Becoming the culture of enthusiasm, PV Drilling has focused on development of health, education & training and has integrated in sustainable strategy of PV Drilling development.

ALMOST 300 BILLION VND for social welfare up to now

Stakeholders Engagement & Assessment Of Key Business Sectors

The interests to related parties is placed on top, PV Drilling understands two-way impacts such as the related parties was influenced by enterprise activities or they have directly or indirectly impact to the enterprise. The interaction, support and feedback from related parties are welcomed by PV Drilling, and considered as big contribution to sustainable development process for Corporation. PV Drilling also bases on contributed ideas to review/adjust our activities to bring highest and long term benefits for related parties.

Based on impacted level and the influence of related parties to business operation performance, PV Drilling evaluated, arranged related parties into 03 main groups, as follows:



Related parties	Expectations	Response to expectation	The importation matters of PV Drilling in 2019
PVN/ Shareholders, investors	Transparent information system; Effective corporate management system; Efficiency of business operation and finance Solutions to support oil operators and supplies;	Effective communication channels	Dividend policy to maximise the value of shareholders.
Employees	Work environment; Compensation and benefit; Training; Leadership and succession planning; Profession; Learning; Creativeness; Teamwork; Integrity;	The annual health check up program; Fairness of salary base on position; and Talents development and retaining; program Succession planning; Build up KPI to evaluate employees.	Maintain and develop the professional and highskilled workforce; Succession planning.
Customers	Safety and environment activities; Operating efficiency; Service quality; Price, Terms of contract; Reliability; Technology; Capability Profession of drilling Crew.	Invest in HSEQ system by applying international standards; Reinforcing manpower training activities Focus on repair & maintenance; Share costs with customers (price decreases)	Ensure the quality of services at highest level;
Partners/ Suppliers	Transparency of the corporate management system Profession of financial management system; Operation efficiency and profession; Input prices.	Transparent information for evaluating bidding; Fairness for suppliers; Payment assurance; Building relationship with suppliers.	Improve the corporate Management system; Closely co-operate with suppliers; Decrease cost of inputs.
Government	Legal regulatory compliance; Certifications, licenses in law; Support for community development.	Study legal issues; Environment and safety issues; complying and achieving certifications; Conduct HSEQ activities; Social activities.	Study, implement internal communication for legal regulations, new policies especially Law Enterprise and other circulars related stock exchange, tax...
Industry associations	Safety operation; Ensure the environment; Quality of services.	Improve the HSEQ system R&D new services; Improve quality of services; Transparency information.	Ensure safety and high-efficiency in business operations.
Competitors	Fairness and transparency	Transparent disclosures boost the brand name and position on the market.	Study and find the opportunities for co-operation and development in foreign drilling market

ASSESSMENT OF KEY BUSINESS FACTORS

Although facing to difficulties of oil & gas market and drilling sector did not have a clear recovery sign, PV Drilling efforts to retain all PV drilling's jack up rigs getting jobs, operating safe and high efficient. Besides, PV Drilling enhances to find clients and bring jack up rigs going to overseas market. It will help to avoid the dependence into domestic oil & gas activities as the exploration and exploitation in Vietnam has strongly decreased.

PV Drilling's Management team concentrates on effective solutions through defining key business sectors, ensuring business operating performance and sustaining a position and reputation of PV Drilling. The Management team has based on the core values and the needs of related parties to assess key business sectors as follows:

The Industrial Revolution 4.0

The Industrial Revolution 4.0 (CMCN 4.0) has a current tendency to boom in many developed countries over the world, which creates more opportunities. CMCN 4.0 takes place in 3 main aspects including Biotechnology, Digital and Physics:

1 The core elements of Digital will be: Artificial Intelligence (AI), everything connected - Internet of Things (IoT) and Big Data.

2 Biotechnology field focuses on researching into ingenious inventions in Agriculture, Marine products industry, Pharma, food processing, environmental protection, Energy recycling, chemistry and materials.

3 In the field of physics with new-generation robots, 3D printers, self-driving cars, new kinds of materials (graphene, skyrmions ...) and nanotechnology.

PV Drilling has been applying the advance of technology in operation and production to provide premium services and improve corporate governance and management.

Facing a new trend, PV Drilling has been preparing all kinds of resources, developing action plans through reviewing and proposing strategies to apply CMCN 4.0 to all PV Drilling's activities including innovating business production, determining premium service provision and improving business management in order to take advantage of all CMCN 4.0 achievements.

It can be clearly seen that Information technology has played an important role in CMCN 4.0, in which intelligent, integrated digital systems have great impact on business operation. Understanding the crucial importance of CMCN 4.0, PV Drilling has been actively reviewing and building a strategy based on IT applications in the upcoming years, heading for the era of Digital transformation. The digitalization and automation of all production/operation process can help PV Drilling to enhance the efficiency of business operation, improving the quality of services provided to clients, partners and internal divisions / subsidiaries in the Corporation; furthermore, promptly and easily provide related information to the management team.

The current IT systems have been being effectively applied at PV Drilling as follows: Enterprise Resource Management system - ERP Oracle EBS, Intelligence and budget management system - Oracle Hyperion, Inventory and Maintenance system of drilling rigs (MAXIMO) and in-house IT application systems for business operation

From the World Economic Forum (WEF), there are 6 major recommendations in digital transformation for the oil and gas industry:

1. Digital transformation is a priority objective for leaders in deciding on business strategies and digital transformation roadmap;

2. Driving a culture of innovation and technology adoption; encouraging to open up to new ideas and applying new technology; Creating good environment for multi-professional with same vision and strong teams in digital technology;

3. Investing in human capital, talent acquisition and development that have good digital thinking and are highly-skilled in digital technology;

4. Building digital capabilities, ensuring the balance between self-development and purchase, between cost and benefit;

5. Reforming PV Drilling's data architecture to have harmonized, interoperable, integrated data for common use of the whole Corporation;

6. Investing in the collaborative ecosystem, using the best practices, standards and platform that can be shared with partners and others.

and management will provide a firm foundation for data acquisition warehouse (big data) in CMCN 4.0 information by integrating all application systems through high technology. Since then, intelligent, integrated digital systems will quickly process information to help users find optimal plans or defined models / definitions available in support of business operation and management. KPIs and business intelligence indicators which are obtained by the subsidiaries, divisions will continue to be processed and proactively provide information to all management levels at PV Drilling.

However, there will definitely be many difficulties and challenges in applying the achievements of CMCN 4.0 for oil and gas industry in general and PV Drilling in particular. Preparation of CMCN 4.0 will require adequate financial resources, technology updates and professional training for the labor workforce, reviewing business processes and upgrading IT infrastructure, which will be taken into account by PV Drilling's Board of Directors to consider and gradually conduct an implementation plan of the CMCN 4.0.



Internal Control and Risk Management System

As a pioneer in building and operating the Risk Management System in Vietnam generally as well as oil and gas industry particularly, PV Drilling has developed the Risk Management System since 2014, with the consulting of Ernst & Young Vietnam - The world's leading auditing and consulting firm on Enterprise Risk Management, applying Risk Management Framework under standard COSO 2013 and International Standard ISO 31000: 2009. So far, PV Drilling risk management function has operated effectively and always maintained and improved to make a proactive risk management culture and strengthened internal control in the whole Corporation.

Risk management model at PV Drilling is built with 03 lines of defense and integrated into the organizational chart, throughout the Corporation to the BUs as following:

- **The First line of defense:** All Departments/ BUs have the first responsibility for owning and managing risks in all their daily activities; maintain and implement operational procedures and risk management processes.
- **The Second line of defense:** risk is managed through the Risk Management Function collecting and analyzing risk information from the first line of defense; responsible for building ERM processes, procedures, risk management tools and ensuring risk management framework to be applied in accordance with the business size and scope of the Corporation;
- **The Third line of defense:** The Risk Management Committee is responsible for assessing the efficiency and effectiveness of risk management activities of the whole Corporation.

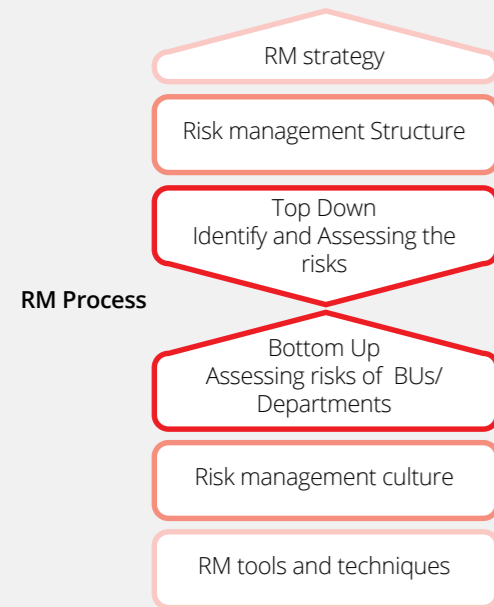
rigs have jobs with stable efficiency in the context of many large drilling companies in the world suffer from prolonged losses and even have to narrow their operations.

- In the current difficult period, the action plans have been implemented to help PV Drilling balance enough money to maintain continuous operation, ensuring liquidity such as: Preparing and updating many cash-flow scenarios to forecast the financial capacity of the Corporation and have plans to manage cash flow in the period of market fluctuations; Implementation of cost optimization project at Departments/Units; Predict the solvency of customers when there are abnormal fluctuations; Supplement and apply penalties related to late payments when signing contracts with customers.

- PV Drilling has implemented restructuring activities such as: merger/transformation of operation model of some functional departments of the Corporation and member units which having difficulties to streamline the structure, reducing costs, minimizing impacts on the Corporation's business performance results; restructuring investment loans for the drilling rigs PV Drilling VI under the plan of extending the repayment period and reducing the interest rate in line with the cash flow forecast and maintaining the operation of the member units to overcome current challenges. PV Drilling has always been highly appreciated by international organizations in the management of safety, quality and environment, and achieved Zero LTI for many years. To achieve that, PV Drilling has implemented activities such as: Applying HSEQ Management System according to specific standards of oil and gas industry which have been certified by the American Petroleum Institute (API), standards of Quality management such as ISO 9001: 2009, ISO 14000 on the environment, OHSAS 18001 on occupational health and safety management; material management and maintenance by Maximo system; carry out the policy of buying annual insurance for rig assets and human.

again been proved the effectiveness, is an effective tool for PV Drilling to determine and arrange the priority of critical risks management, help optimize resources and monitor the performance of the whole Corporation.

The critical risk portfolios at PV Drilling have been identified by the Board of Directors and have correlative action plans to mitigate in the current context as follows:



RM Framework at PV Drilling



RISK MANAGEMENT PROCESS AT PV DRILLING

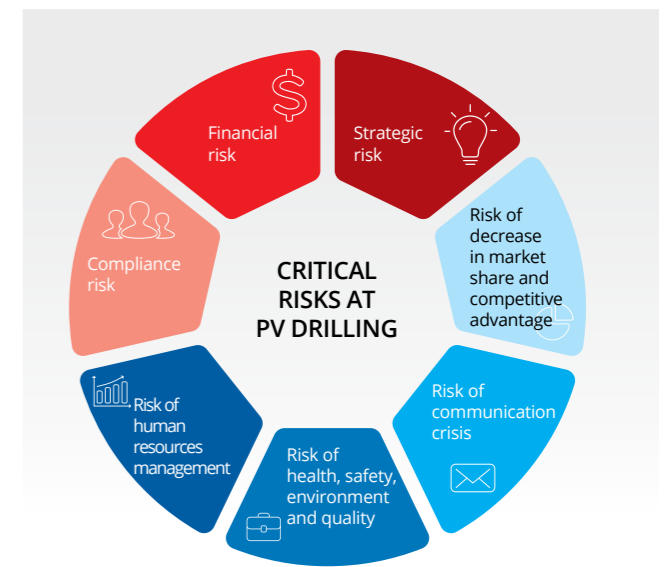
Facing the difficulties and challenges of the oil and gas industry in the current period, the successful implementation of the enterprise risk management framework helps PV Drilling making an effective management tool. After identified critical risks, the monitoring mechanism for early warning signs has supported the Board of Directors to make timely and effective action plans to minimize possible losses and maximize the opportunities coming to PV Drilling. Some outstanding results of Risk Management System are as follows:

- The action plans such as promoting reputable brands to target markets in order to meet the criteria / requirements for becoming Qualified Vendor to contractors; Searching and analyzing market information (Market Intelligence) about operating efficiency of drilling rigs, structure of operating costs of other drilling contractors for benchmarking; Building a database on legal issues, business environment in the host country and operating areas... has helped most of PV Drilling's

Successful and effective application of enterprise risk management system together with other control tools in the Corporation have helped PV Drilling gain stability in the crisis period and complete successfully the business plan that was assigned by the General Meeting of Shareholders.

Risks - Difficulties & Advantages

The year 2018 continued to be a difficult year for the oil and gas industry due to the instability of oil prices, the demand for drilling rigs and drilling services have not show any signs of recovery. Facing unpredictable fluctuations of such business environment, the risk management has once



Strategic risks

The domestic market for drilling rigs and well technical services is currently still very difficult due to the impact of prolonged low oil prices and the shortage of investment capital causing oil exploitation activities are moderate, besides, the demand for drilling rigs is low and the day rate of \$ 50,000/day is very low and facing fierce competition from foreign contractors. PV Drilling identified that the difficulties of domestic market is an opportunity to promote the developing strategy to offshore drilling market, looking for regional business opportunities and potential markets, expanding further to Africa and the Middle East. For ensuring the planning objectives are always monitored, the Board of Management has identified relevant risks and made important solutions as follows:

- Focus all resources on core business, strengthen and develop the drilling rig supply and drilling technical services array under PV Drilling's strengths;
- Promote marketing activities, build a reputable image and brand in the domestic and regional oil drilling industry. Maintaining a professional working style for all employees, contributing to creating a professional environment and culture for PV Drilling;

Internal Control and Risk Management System (continued)

- Restructuring enterprises, developing plans to respond the market fluctuations;
- Improve corporate governance, apply advanced management principles and best practices in the world to optimize internal resources in the current difficult period.

Risk of losing market share and competitive advantage

The number of jack-up rigs without jobs in the region is huge, foreign rivals compete fiercely, even willing to devalue the market to win contracts, causing many difficulties for PV Drilling in negotiation and bidding. Large companies tend to provide services by themselves instead of outsourcing, reducing workloads and losing competitive advantage. This affects the achievement of the Corporation's objectives. To overcome this challenge, PV Drilling's Board of Management has proposed many vital solutions to respond as follows:

- Negotiating and cooperating with domestic and foreign partners, looking for development opportunities in the Middle East market (Kuwait, Saudi Arabia, ...), seeking new contracts to maintain operations of the rig, creating an initiative for PV Drilling to develop the market;
- Optimize the cost of drilling operation management, labour costs, trade costs, operating costs, supplier negotiations to reduce service costs, enhancing price competitiveness;
- Improve operational procedures to optimize and effectively use the Corporation's internal resources but still ensure quality in production and business activities;
- Apply advanced technologies and technical initiative/ solutions to improve service quality; improve labor productivity and safety work.

Financial risk

The Corporation includes many subsidiaries and joint ventures, so investment activities, budget management, cash flow ... generate a lot of risks in the context of fluctuations factors of the exchange rate, interest rate. Economic predictions and using of financial instruments effectively to handle financial risks is a significant challenge for PV Drilling's Board of Management. Financial risk management solutions are implemented by PV Drilling include:

- Centralized and oriented financial controlling through standards and norms on financial indicators;
- Budget planning through the managerial accounting reporting system applied from BUs level to Corporate level on the ERP Oracle EBMS platform;
- Implement centralized budget management mechanism to coordinate cash flow to BUs timely, optimize cash flow, minimize opportunity costs and improve profit from financial activities;

- Negotiating with customers to sign contracts and make payment for service rendered in USD to preserve USD in business activities, reduce the impact of exchange rate fluctuations;
- Using derivative financial instruments such as Cross Currency Swap, Repurchase Contract (Repo contract), Option Contract (Option Contract) ... to ensure source USD proactively.

Risk of human resource management

Human resources is always the core element of success, especially human resources with high qualifications, long-term experience for operating efficiency of drilling rigs and oil drilling technical services. In the difficult context of the oil and gas industry, the management of human resource at PV Drilling is facing a great challenge when the employees' income decreases, welfare and subsidies are unstable, but still must ensure operation with the highest quality of service, maintaining a professional working style. Recognizing this problem, The Board of Management considered it as an opportunity to improve the apparatus in a more streamlined and efficient manner, through the following solutions:

- Develop and apply policies to attract and preserve talents at PV Drilling;
- Complete the capacity framework for all levels from workers, engineers, experts to managers;
- Develop the career roadmap for employees with high qualifications, technical skills and training of successors;
- Develop a specific mechanism of nomination and encouragement, thereby identifying the objects for training programs, along with the salary and bonus program and commitment to employees.

Compliance risk

PV Drilling's business and production activities are governed by many systems of Vietnamese legal documents, policies and regulations of the Vietnam Oil and Gas Group, State Securities Commission and Stock Exchange Department... In addition, the Corporation also applies international standards and practices in enterprise management. Therefore, PV Drilling's BOM always concerns deeply about compliance risks as well as internal regulations and has action plans to ensure the compliance at PV Drilling such as:

- Regularly update changes in policies and regulations that affect PV Drilling's business. Weekly dissemination for all employees, consulting and supporting BUs/Departments in compliance with the law.
- Assessing the legal risks related to business, finance, accounting, taxation, etc. to provide appropriate corrective or preventive actions;



- Regularly assessing the compliance with State regulations and internal regulations of the Corporation, and assess the management of the BUs to ensure effective and efficient operation.

Risk of communication crisis

In the era of information technology development, any information or an event that even does not cause great

physical damage, but when reported by newspapers and social networks along with adverse comments and wide spread power, can generate a media crisis, seriously damaging the image of the business. In order to prevent communication risks, PV Drilling has implemented effective defense measures such as:

- Develop and apply strictly the Regulation on information disclosure;
- Fully and timely update the situation of production and business activities of PV Drilling through reports to State administrative agencies, news agencies and posted on PV Drilling's website;
- Follow daily news on mass media, investment forums, social networking sites;
- Regularly monitor and update market information, develop a smooth communication channel with news agencies, securities companies, investors...

Risks of health, safety, environment and quality

Oil and gas drilling is a particular industry, always facing harsh weather and geographical conditions in offshore or desert, the operation status of machinery and people can be affected any time To ensure the effectiveness of health, safety, quality and environmental management, PV Drilling has implemented risk management solutions as follows:

- Maintaining the application of HSEQ management system according to international standards on the characteristics of the oil and gas industry which has been certified by many prestigious organizations in the world; applying quality management standards such as ISO 9001: 2009, ISO 14000 environment, OHSAS 18001 occupational health and safety management; Participating and complying with the regulations of the International Association of Drilling Contractors (IADC);
- Managing supplies, inventory and maintenance work by Maximo software system to ensure stable and safe operation of drilling rigs;
- Optimize the operation of equipment and assets through using Asset Management and Reliability-centered Maintenance;
- Implementing insurance policy for PV Drilling's rig and human resources.

Ensuring safety in operation and always focus on risk management of HSEQ has helped PV Drilling to maintain achievements of Zero LTI for owned rigs for many years, certified by the partners, customers, and international organizations, creating a reputation and a great competitive advantage for PV Drilling to overcome challenges and development of the market to the world.

In Relations with the Governmental Authorities, and Fulfilling the Duties & Obligations

The sustainability of an organization is always attached to the efficiency of economic development, social equality and protective environment. In order to achieve this mission, all elements such as economy, society, government and other social organizations have to be coordinately combined based on 3 perspectives: Economic – Society – Environment. As one of a listed company on the stock market who has significantly contributed to State Budget in consecutive years, PV Drilling understands its influence to society and sustainable development. In addition, PV drilling realizes that the success of an organization is not only the numbers of revenue on the financial statement but also the outstanding and long-term values to society.

To Government and Authorities, PV Drilling commits:

Do not have illegal conducts to hide information to generate the Corporation's benefits or the personal gains

Do not have any corrupt practices to get preferential treatments from state authorities

Fulfill tax obligations and fully contribute to the local budget according to regulations.
Do research to take advantage of the State's preferential tax policies in order to bring benefits to the Corporation but absolutely avoid tax evasion or tax fraud.

Particularly in 2018, PV Drilling generated the consolidated revenue of 5,500 billion VND, increasing by 41%, while profit after tax achieved 198 billion VND, equivalent to an increase of 337% compared to 2017. From that, the contribution of PV drilling to State budget increased significantly compared to previous years which showed an endless effort of the Corporation in maintaining its operation and contribution to State budget, especially in this difficult period.

Detailed amount contributing to State Budget in 2018

VND	Paid in 2018	Paid in 2017	Variance
Value added tax	238,038,590,160	186,924,228,120	27%
Imported	33,621,914,352	11,720,071,440	187%
Corporate income tax	142,884,151,872	84,177,908,640	70%
Personal income tax	168,398,167,344	159,270,231,960	6%
Others	108,755,677,776	87,881,439,240	24%
Total	691,698,501,504	529,973,879,400	31%

Develop the sustainable relationship with Governmental Authorities:

Besides concentrating on seeking solutions to overcome the difficult period and achieve sustainable development, during the past years, PV Drilling has been studying to apply the policies, making contributions and escalating the petitions and proposals to the governmental authorities to complete the policies as well as to support the business operation of PV Drilling. The petitions and proposals of PV Drilling that have been resolved and amended by the governmental authorities, including:

Petitions for a reasonable tax policy, encouraging local enterprises to invest and develop such as: tax policy for the thread lathing services to protect the local services; applying preferential policies and supporting to investment of high technology development

Adjusting the tax policy for local and international drilling contractors in Vietnam, aiming for a fair competition;

Petitions to the Finance Ministry of France for changing the depreciation method of drilling rigs;

In 2019, the domestic oil and gas market is still in difficult stage with less jobs and harsh competition, while in the overseas markets, PV Drilling is dealing with strict protectionist policies that used to prioritize local enterprises. PV Drilling shall continues to study international practices, recommend and contribute preferential policies, increase the localization rates as other nearby countries are doing in order to support domestic oil and gas companies to improve the competitive capacity in Vietnam during this difficult and challenging period.



FINANCIAL STATEMENTS



PV Drilling
ANNUAL
REPORT **2018**

Statement of The Board of Directors
Independent Auditors' Report
Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Cash Flow Statement
Notes To The Translated Consolidated Financial Statements

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Petrovietnam Drilling and Well Services Corporation (the "Company") presents this report together with the translated consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of the Group who held office during the year and to the date of this report are as follows:

Board of Management

Mr. Do Van Khanh	Chairman (resigned on 31 December 2018)
Mr. Do Duc Chien	Vice Chairman cum Person in charge of Board of Management
Mr. Pham Tien Dung	Member
Ms. Nguyen Thi Thuy	Member
Mr. Le Van Be	Member
Mr. Dao Van Minh	Member (appointed on 27 April 2018)
Mr. Van Duc Tong	Member (appointed on 27 April 2018)
Ms. Ho Ngoc Yen Phuong	Member (resigned on 27 April 2018)
Ms. Pham Thi An Binh	Member (resigned on 27 April 2018)

Board of Directors

Mr. Pham Tien Dung	President
Mr. Tran Van Hoat	Vice President
Mr. Dao Ngoc Anh	Vice President
Mr. Nguyen Xuan Cuong	Vice President
Mr. Trinh Van Vinh	Vice President
Mr. Vu Van Minh	Vice President
Mr. Ho Vu Hai	Vice President
Mr. Do Danh Rang	Vice President

THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Group is responsible for preparing the consolidated financial statements in United States Dollar ("USD") for the year ended 31 December 2018, which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. Also, the Board of Directors is responsible for preparing the translated consolidated financial statements from the above-mentioned USD consolidated financial statements in accordance with requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated consolidated financial statements. In preparing these translated consolidated financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the translated consolidated financial statements;

- Prepare the translated consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the translated consolidated financial statements so as to minimise errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and that the translated consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Group has complied with the above requirements in preparing these translated consolidated financial statements.

For and on behalf of the Board of Directors,

Pham Tien Dung
President
29 March 2019

INDEPENDENT AUDITORS' REPORT

No.: 698/VN1A-HC-BC

To: **The Shareholders, the Boards of Management and Directors of Petrovietnam Drilling and Well Services Corporation**

We have audited the accompanying translated consolidated financial statements of Petrovietnam Drilling and Well Services Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group"), prepared on 29 March 2019 as set out from page 4 to page 41, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These translated consolidated financial statements have been prepared by the Board of Directors under Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated consolidated financial statements.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of these translated consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong and for such internal control as the Board of Directors determines is necessary to enable the preparation of translated consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these translated consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the translated consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the translated consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the translated consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the translated consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the translated consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the translated consolidated financial statements for the year ended 31 December 2018 are prepared, in all material respects, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong.

Emphasis of Matter

We draw readers' attention to Note 3 and 10 of the Notes to the translated consolidated financial statements about the change in useful lives of the drillings. Our opinion is not qualified in respect of this matter.

Basis of Accounting and Restriction on Distribution and Use

We draw readers' attention to Note 2 of the Notes to the translated consolidated financial statements, which describes the basis of accounting for the translation of the consolidated financial statements. These translated consolidated financial statements are prepared to assist the Group to meet the requirements of Circular 200 in disclosure and submission of consolidated financial statements to State bodies.

Other matter

The Company has prepared a set of consolidated financial statements for the year ended 31 December 2018 in United States Dollar which is its functional currency, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting, on which we issued an independent auditors' report dated 29 March 2019 expressing an unqualified opinion.



Le Dinh Tu
Audit Partner

Audit Practising Registration Certificate
No. 0488-2018-001-1
BRANCH OF DELOITTE VIETNAM COMPANY LIMITED
29 March 2019
Ho Chi Minh City, S.R. Vietnam

Nguyen Thi Thu Sang
Auditor

Audit Practising Registration Certificate
No. 1144-2018-001-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

Form B 01-DN/HN
Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		5,674,124,070,645	6,284,083,983,690
I. Cash and cash equivalents	110	4	2,265,202,237,815	1,803,323,952,900
1. Cash	111		2,086,290,369,435	1,462,350,990,285
2. Cash equivalents	112		178,911,868,380	340,972,962,615
II. Short-term financial investments	120		1,011,769,973,160	2,148,216,872,595
1. Held-to-maturity investments	123	5	1,011,769,973,160	2,148,216,872,595
III. Short-term receivables	130		1,612,578,529,860	1,552,065,474,480
1. Short-term trade receivables	131	6	1,616,627,840,190	1,605,937,006,380
2. Short-term advances to suppliers	132	7	30,162,054,810	150,386,037,390
3. Other short-term receivables	136	8	171,308,365,560	120,001,678,365
4. Provision for short-term doubtful debts	137	6	(205,519,730,700)	(324,259,247,655)
IV. Inventories	140	9	759,890,251,980	754,160,264,295
1. Inventories	141		915,287,263,260	891,803,200,080
2. Provision for devaluation of inventories	149		(155,397,011,280)	(137,642,935,785)
V. Other short-term assets	150		24,683,077,830	26,317,419,420
1. Short-term prepayments	151		8,957,068,710	13,648,976,325
2. Value added tax deductibles	152		12,213,662,790	9,173,364,105
3. Taxes and other receivables from the State budget	153	17	3,512,346,330	3,495,078,990
B. NON-CURRENT ASSETS	200		15,329,688,883,365	15,533,376,631,965
I. Long-term receivables	210		15,110,467,845	19,009,928,775
1. Other long-term receivables	216		15,110,467,845	19,009,928,775
II. Fixed assets	220		14,462,489,431,125	14,821,259,262,720
1. Tangible fixed assets	221	10	14,291,211,501,240	14,647,800,028,680
- Cost	222		23,324,114,271,405	22,940,128,055,175
- Accumulated depreciation	223		(9,032,902,770,165)	(8,292,328,026,495)
2. Intangible assets	227	11	171,277,929,885	173,459,234,040
- Cost	228		280,876,448,385	271,395,786,960
- Accumulated amortisation	229		(109,598,518,500)	(97,936,552,920)
III. Long-term assets in progress	240		64,049,621,400	37,455,317,730
1. Long-term construction in progress	242	12	64,049,621,400	37,455,317,730
IV. Long-term financial investments	250		677,611,836,885	558,638,669,940
1. Investments in joint-ventures	252	13	585,735,838,350	558,638,669,940
2. Held-to-maturity investments	255	5	91,875,998,535	-
V. Other long-term assets	260		110,427,526,110	97,013,452,800
1. Long-term prepayments	261		4,289,161,965	10,318,694,550
2. Deferred tax assets	262	14	106,138,364,145	86,694,758,250
TOTAL ASSETS (270=100+200)	270		21,003,812,954,010	21,817,460,615,655

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		7,153,637,181,345	8,344,527,108,045
I. Current liabilities	310		2,799,681,969,240	3,905,419,749,000
1. Short-term trade payables	311	15	963,594,512,025	676,756,184,190
2. Short-term advances from customers	312	16	29,429,214,675	218,988,527,385
3. Taxes and amounts payable to the State budget	313	17	95,915,101,920	155,735,090,715
4. Payables to employees	314		134,558,155,935	153,416,075,910
5. Short-term accrued expenses	315	18	279,495,617,685	333,278,716,410
6. Other current payables	319	19	348,200,763,255	361,697,271,990
7. Short-term loans	320	20	362,413,043,085	1,342,640,443,845
8. Short-term provisions	321	21	459,219,875,565	542,692,799,850
9. Bonus and welfare funds	322		126,855,685,095	120,214,638,705
II. Long-term liabilities	330		4,353,955,212,105	4,439,107,359,045
1. Other long-term payables	337	26	478,300,034,940	478,681,513,575
2. Long-term loans	338	22	3,477,186,853,080	3,329,574,672,330
3. Long-term provisions	342	23	154,784,108,535	172,010,985,870
4. Scientific and technological development fund	343	24	243,684,215,550	458,840,187,270
D. EQUITY	400		13,850,175,772,665	13,472,933,507,610
I. Owner's equity	410	25	13,850,175,772,665	13,472,933,507,610
1. Owner's contributed capital	411		3,832,661,600,000	3,832,661,600,000
- Ordinary shares carrying voting rights	411a		3,832,661,600,000	3,832,661,600,000
2. Share premium	412		2,434,086,374,663	2,434,086,374,663
3. Treasury shares	415		(20,948,559,850)	(20,948,559,850)
4. Foreign exchange reserve	417		1,682,855,546,504	1,448,859,224,120
5. Investment and development fund	418		1,588,670,641,533	1,568,769,410,726
6. Retained earnings	421		4,075,876,050,943	3,944,910,084,813
- Retained earnings accumulated to the prior year end	421a		3,944,910,084,813	3,930,049,160,031
- Retained earnings of the current year	421b		130,965,966,130	14,860,924,782
7. Non-controlling interests	429	26	256,974,118,872	264,595,373,138
TOTAL RESOURCES (440=300+400)	440		21,003,812,954,010	21,817,460,615,655



Pham Tien Dung
President
29 March 2019

Doan Duc Tung
Chief Accountant

Tran Kim Hoang
Preparer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

Form B 02-DN/HN
Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		5,500,144,331,664	3,890,709,275,040
2. Net revenue from goods sold and services rendered (10=01)	10	29	5,500,144,331,664	3,890,709,275,040
3. Cost of sales	11	30	5,103,139,582,320	3,698,833,730,760
4. Gross profit from goods sold and services rendered (20=10-11)	20		397,004,749,344	191,875,544,280
5. Financial income	21	32	190,480,534,848	198,270,873,360
6. Financial expenses	22	33	257,694,450,960	279,225,727,200
- In which: Interest expense	23		170,182,139,616	193,142,993,400
7. Income from investments in joint ventures	24	13	60,514,599,120	4,905,343,800
8. Selling expenses	25		12,527,949,936	18,563,171,760
9. General and administration expenses	26	34	284,929,049,760	569,024,258,040
10. Operating profit/(loss) (30=20+(21-22)+24-(25+26))	30		92,848,432,656	(471,761,395,560)
11. Other income	31	35	153,997,978,848	634,584,993,840
12. Other expenses	32		14,159,531,232	11,855,221,560
13. Profit from other activities (40=31-32)	40		139,838,447,616	622,729,772,280
14. Accounting profit before tax (50=30+40)	50		232,686,880,272	150,968,376,720
15. Current corporate income tax expense	51	36	77,544,566,592	176,579,199,720
16. Deferred corporate tax income	52	14	(17,549,080,848)	(61,172,541,360)
17. Net profit after corporate income tax (60=50-51-52)	60		172,691,394,528	35,561,718,360
Attributable to:				
- The Company's shareholders	61		197,786,236,424	45,280,185,902
- Non-controlling interests and Interests of partners in Business Cooperation Contract	62	26	(25,094,841,896)	(9,718,467,542)
18. Basic earnings per share	70	37	396	74

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

Form B 03-DN/HN
Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	232,686,880,272	150,968,376,720
2. Adjustments for:			
Depreciation and amortisation	02	608,452,631,664	788,288,147,640
Provisions	03	(113,707,418,832)	41,013,922,320
Foreign exchange losses arising from translating foreign currency items	04	1,998,372,672	13,467,043,800
Gain from investing activities	05	(163,386,463,152)	(143,405,866,800)
Interest expense	06	170,182,139,616	193,142,993,400
Other adjustments	07	(142,425,949,690)	(625,745,781,360)
3. Operating profit before movements in working capital	08	593,800,192,550	417,728,835,720
Changes in receivables	09	76,147,848,576	(180,949,304,646)
Changes in inventories	10	(4,567,038,912)	51,264,896,760
Changes in payables	11	(149,197,088,304)	146,022,263,591
Changes in prepaid expenses	12	11,154,798,720	18,214,716,240
Interest paid	14	(177,140,070,624)	(196,898,688,000)
Corporate income tax paid	15	(142,884,151,872)	(84,177,908,640)
Other cash outflows	17	(43,966,911,840)	(56,591,553,984)
Net cash generated by operating activities	20	163,347,578,294	114,613,257,041
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(78,556,490,496)	(44,320,689,000)
2. Proceeds from sale, disposal of fixed assets	22	646,879,920	300,986,280
3. Cash outflow for buying debt instruments	23	(1,574,102,399,616)	(2,204,579,441,933)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,618,673,304,202	1,734,489,942,538
5. Interest earned, dividends and profits received	27	174,698,872,032	158,430,006,000
Net cash generated by/(used in) investing activities	30	1,141,360,166,042	(355,679,196,115)



Pham Tien Dung
President
29 March 2019

Doan Dac Tung
Chief Accountant

Tran Kim Hoang
Preparer

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2018

Form B 03-DN/HN
Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	41,010,577,488	69,695,458,560
2. Repayment of borrowings	34	(969,522,218,544)	(821,732,098,320)
3. Dividends and profits paid	36	(2,792,342,000)	(1,396,171,000)
Net cash used in financing activities	40	(931,303,983,056)	(753,432,810,760)
Net increase/decreases in cash (50=20+30+40)	50	373,403,761,280	(994,498,749,834)
Cash and cash equivalents at the beginning of the year	60	1,803,323,952,900	2,782,568,383,500
Effects of changes in foreign exchange rates	61	3,305,789,760	1,166,659,200
Foreign exchange differences from translation	62	85,168,733,875	14,087,660,034
Cash and cash equivalents at the end of the year (70=50+60+61)	70	2,265,202,237,815	1,803,323,952,900

Pham Tien Dung
President
29 March 2019

Doan Duc Tung
Chief Accountant

Tran Kim Hoang
Preparer

NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

Form B 09-DN/HN

1. GENERAL INFORMATION**Structure of ownership**

The Group consists of Petrovietnam Drilling and Well Services Corporation (the "Company") and its 7 subsidiaries and 6 joint ventures. At the date of the financial statements, the Company is working on restructuring plans on companies within the Group. Details of the Group is as follows:

The Company

The Company is a joint stock company established in S.R. Vietnam in accordance with the Business Registration Certificates No. 4103004335 dated 15 February 2006 and the 12th amendment dated 20 December 2016 issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City, Enterprise code No. 0302495126. The Company was established from the equitization of Petrovietnam Drilling and Well Services Company, a member of Petrovietnam - S.R. Vietnam Oil and Gas Group (hereinafter referred to as "Petrovietnam").

The Company consists of 2 divisions and 4 oversea branches as follows:

- The Drilling Division was established in accordance with the Resolution of the Company's Board of Management dated 9 April 2007 and the Decision No. 1249/QĐ-PVD issued by the President dated 24 May 2007 changing the Drilling Management Committee into the Drilling Division and in accordance with the Business Registration Certificate No. 0302495126-007 dated 16 March 2010 replacing the Business Registration Certificate No. 4113028028 issued by the DPI of Ho Chi Minh City. The Drilling Division's registered office is located at 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. The Division manages and operates 03 offshore drilling rigs: PV Drilling I, PVD Drilling II and PV Drilling III.
- PVD Drilling Investment Division ("PVD Invest") was established in accordance with the Decision No. 06/12/QĐ-HĐQT dated 30 December 2009 issued by the Board of Management and the Business Registration Certificate No. 0302495126 dated 18 January 2010, and its amendment dated 19 May 2010 issued by the DPI of Ho Chi Minh City. PVD Invest's registered office is located at 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam.
- Algeria Branch was established in accordance with the Decision No. 13/QĐ-HĐQT dated 2 March 2006 issued by the Board of Management and Establishment Certificate No. 04/STM-TT.TNNN dated 23 March 2006 issued by the Industry and Trade Department of Ho Chi Minh City. The Algeria Branch's registered office is located at Cité Si El, Houas, No. 02, Villa No. 101, Hassi Messaoud, Ouargla, Algeria. The Branch manages and operates 01 land drilling rig: PV Drilling 11.
- Myanmar Branch was established in accordance with the Decision No. 01/03/2015/QĐ-HĐQT dated 4 March 2015 issued by the Board of Management and Establishment Certificate No. 594/CNĐK-SCT dated 18 Jun 2015 issued by the Trade Department of Ho Chi Minh City. The Myanmar Branch's registered office is located at No. 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.
- Thailand Branch was established in accordance with Decision No. 03/03/2017/QĐ-HĐQT dated 27 March 2017 issued by the Board of Management and Establishment Certificate No. 678/CNĐK-SCT dated 13 April 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 7th Floor, Shinawatra Tower III Building, 1010 Vibhavadi Rangsit Rd., Chatuchak, Bangkok, Thailand.
- Malaysia Branch was established in accordance with Decision No. 01/8/2017/NQ-HĐQT dated 17 October 2017 issued by the Board of Management and Establishment Certificate No. 1461/CNĐK-SCT dated 25 September 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 35J-2-9, KLSC Jalan Wangsa Delima 5, Wangsa Maju, 53300 Kuala Lumpur, Malaysia.

The number of employees of the Company and its subsidiaries as at 31 December 2018 was 413 and 1,759, respectively (as at 31 December 2017 was: 406 and 1,876).

NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

Form B 09-DN/HH

The subsidiaries

PVD Offshore Services Company Limited ("PVD Offshore") was established as a limited liability company under the Business Registration Certificate No. 3500803145 dated 1 September 2009 issued by DPI of Ba Ria - Vung Tau Province and its amendments. PVD Offshore's registered office is located at 43A, 30/4 Street, Ward 9, Vung Tau City, Ba Ria - Vung Tau Province, S.R. Vietnam. PVD Offshore is principally engaged in providing repair, inspection and maintenance of equipment and facilities of oil and gas industry; drilling manpower supply service, oil and gas exploitation for domestic and foreign contractor operations; consultant of environmental impact assessment, the rescue plan for oil spills and facilities and activities that have a risk of oil spills.

PVD Well Services Company Limited ("PVD Well") was established as a limited liability company under the Business Registration Certificate No. 4104001468 dated 1 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Well's registered office is located at Room 13, 12Ath Floor, Vincom Center Building, 47 Ly Tu Trong Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Well is principally engaged in providing tubular services, drilling equipment rental services, well drilling technical services, supplying specialized tool and equipment to serve the well drilling services.

Petroleum Well Logging Company Limited ("PVD Logging") was established as a limited liability company under the Business Registration Certificate No. 4104001513 dated 7 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Logging's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Logging is principally engaged in providing oil and gas wells geophysical survey service, oil and gas wells testing, reservoir testing, cementing pumps and supply of manpower, tool and equipment for the other related services.

PVD Trading and Technical Services Joint Stock Company (formerly known as Petroleum Trading and Technical Services Company Limited, "PVD Tech") has changed legal form from a limited liability company to a joint stock company and commenced its operation as a joint stock company under the Amended Business Registration Certificate No. 0305124602 dated 12 July 2012 issued by DPI of Ho Chi Minh City. PVD Tech's registered office is located at 8th Floor, Green Power Building, 35 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Tech is principally engaged in providing materials and equipment for the oil and gas industry and other industries, implementation installation services, inspection, repair, maintenance of drilling rig, mending rig, exploiting rig.

PVD Technical Training and Certification Joint Stock Company ("PVD Training"), formerly known as Cuu Long Company Limited, is a joint stock company that was established in accordance with Business Registration Certificate No. 3500677518 dated 12 August 2011 issued by DPI of Ba Ria - Vung Tau Province, and its amendments. PVD Training's registered office is located at Dong Xuyen Industrial Zone, 30/4 Street, Rach Dua Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R. Vietnam. PVD Training is principally engaged in providing training, introduction and supply of manpower in the oil and gas industry in domestic and overseas markets; house, office and warehouse leasing.

PVD Deepwater Drilling Company Limited ("PVD Deepwater") was established as a limited liability company under the Business Registration Certificate No. 0310139354 dated 14 July 2010 issued by DPI of Ho Chi Minh City and its amendments. PVD Deepwater's registered office is located at 5th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Deepwater is principally engaged in providing supporting services in crude oil and natural gas exploitation; supply of deepwater rigs in service search, exploration and exploitation of oil and gas; supply of materials and equipment, machinery for supporting of oil and gas researching, exploring and exploiting; industry and other related industries; research and natural and technical sciences experimental development of natural and technical sciences; technological consultancy in the field of oil and gas. PVD Deepwater manages and operates 01 semi-submersible drilling rig: PV Drilling V.

PV Drilling Overseas Company Private Limited ("PVD Overseas") was established in Singapore under joint venture contract with Falcon Energy Group Limited and Business Registration No. 201308977C dated 04 April 2013. PVD Overseas's registered office is located at No. 9 Temasek Boulevard, #31_00 Suntec Tower 2, Singapore. PVD Overseas is principally engaged in providing investment, drilling rental, supplying drilling service and the services related to exploration and exploitation of oil and gas. PVD Overseas manages and operates 01 offshore drilling rig: PV Drilling VI.

NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

Form B 09-DN/HH

Detailed information about capital contribution status and investment value in subsidiaries of the Company as at 31 December 2018 and 31 December 2017 are as follows:

	Closing balance				'Opening balance			
	Proportion of ownership interest/ voting power held	Registered charter capital	Contributed charter capital	Investment value	Proportion of ownership interest/ voting power held	Registered charter capital	Contributed charter capital	Investment value
Name of subsidiaries	%	(original currency)	(original currency)	USD	%	(original currency)	(original currency)	USD
PVD Offshore	100	130,000,000,000 VND	130,000,000,000 VND	6,748,980	100	130,000,000,000 VND	130,000,000,000 VND	6,748,980
PVD Well	100	80,000,000,000 VND	80,000,000,000 VND	4,081,469	100	80,000,000,000 VND	80,000,000,000 VND	4,081,469
PVD Logging	100	80,000,000,000 VND	80,000,000,000 VND	4,236,959	100	80,000,000,000 VND	80,000,000,000 VND	4,236,959
PVD Tech	100	200,000,000,000 VND	200,000,000,000 VND	10,324,805	100	200,000,000,000 VND	200,000,000,000 VND	10,324,805
PVD Training	51,8	28,958,670,000 VND	28,958,670,000 VND	1,096,066	51,8	28,958,670,000 VND	28,958,670,000 VND	1,096,066
PVD Deepwater	100	764,000,000,000 VND	764,000,000,000 VND	39,692,090	100	764,000,000,000 VND	764,000,000,000 VND	39,692,090
PVD Overseas	81,6	41,961,000 USD	66,698,050 USD	54,400,000	81,6	41,961,000 USD	66,698,050 USD	54,400,000
				120,580,369				120,580,369

The Joint Ventures

Details of the Group's joint ventures with proportion of voting rights held 50% are as follows:

BJ Services-PV Drilling Joint Venture Company Limited ("BJ-PVD") was established in S.R. Vietnam as a joint venture company under the Investment Certificate No. 492021000003 dated 28 September 2006 issued by the People's Committee of Ba Ria - Vung Tau Province and its amendments. BJ - PVD's registered office is located at 65A, 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R. Vietnam. BJ-PVD is principally engaged in providing the entire package of services such as cementing pump, reservoir stimulation, dragging tubular and pumping nitrogen, etc., as well as technical solutions, laboratory services and chemicals supply. The total charter capital of BJ-PVD is amount of USD 5 million, in which the Group holds 49% of its ownership.

PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited ("PVD-Baker Hughes") was established in S.R. Vietnam under the Investment Certificate No. 411022000556 dated 26 January 2011 issued by the People's Committee of Ho Chi Minh City and its amendments. PVD-Baker Hughes's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD-Baker Hughes is principally engaged in providing directional surveying drilling services, measurement while drilling services, coring sample services, well geophysical survey services, casehead hanging over services, stucking rescue services, artificial reservoir pressure, intelligent well completment services and other mine exploitation technology services. The total charter capital of PVD-Baker Hughes is USD 20 million, equivalent to VND 370,880,000,000, in which the Group holds 51% of its ownership.

PVD Tubulars Management ("PVD Tubulars") was established in S.R. Vietnam under the Investment Certificate No. 492022000134 dated 7 October 2008 issued by the Board of Mangement of Ba Ria - Vung Tau Industrial Zone and its amendments. PVD Tubulars's registered office is located at Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau

NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

Form B 09-DN/HN

Province, S.R. Viet Nam. PVD Tubulars is principally engaged in providing products of drilling tube, casing, tubing operators and management service for casing package for all oil and gas companies which operating in exploration and exploitation on shore, offshore and deep water regions in S.R.Vietnam. The total charter capital of PVD Tubulars is VND 57,995,000,000, equivalent to USD 3.5 million. The Group holds 51% of its ownership.

Vietubes Company Limited ("Vietubes") was established under the Investment Certificate No. 492022000111 dated 15 February 1995 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province and its amendment. Vietubes registered office is located at Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria - Vung Tau Province, S.R. Vietnam. Vietubes is principally engaged in providing forging, processing, repair, recovery inspection, verification of drilling tube, fabricated connectors, couplings and by-product supporting for drilling operations, oil and gas exploitation; metal processing, including cutting, formatting and stabilizing metal structure; precision mechanical processing for large details on automatic machines. The total charter capital of Vietubes is VND 77,297,205,000, equivalent to USD 3,707,300. The Group holds 51% of its ownership.

PV Drilling Expo International Company Limited (formerly known as PV Drilling Production Testers International Company Limited, "PVD-Expro") was established as a joint venture company under the Investment Certificate No. 491022000098 dated 25 April 2008 issued by the People's Committee of Ba Ria - Vung Tau Province and its amendments. PVD-Expro registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R. Vietnam. The principal activities of PVD - Expro include providing drilling well reservoir testing service, mining equipment leasing, manpower supplying in operation field of itself with skilled engineers, workers experienced in working for foreign contractors. The total charter capital of PVD-Expro is USD 6,371,352. The Group holds 51% of its ownership.

PVD Tech-Oil State Industries Joint Venture Company Limited ("PVD-OSI") was established in S.R.Vietnam as a joint venture company under the Investment Certificate No. 492022000217 dated 24 November 2011 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province. PVD-OSI registered office is located at Street 11, Phu My Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province, S.R. Vietnam. The principal activities of PVD - OSI include producing, manufacturing, forging, lathing tube connectors and components, spare parts in exploratory drilling sector and oil and gas industry; and providing repair, maintenance tube connectors services in exploratory drilling and oil and gas exploitation. The total charter capital of PVD - OSI is VND 105,000,000,000, equivalent to USD 5 million. The Group holds 51% of its ownership.

Principal activities

The Group is principally engaged in providing drilling services, well services, wire line logging, oil spill control service, drilling rig, materials, equipment, drilling manpower, investment and project management consulting service, management consulting service, and other related services in the oil and gas industry.

Normal production and business cycle

The Group's normal production and business cycle is carried out for a time period of 12 months

Important events that occurred in the year

According to the Resolution No. 01/08/2018/NQ-HĐQT dated 6 August 2018, the Board of Management has approved the restructuring plans of BJ Services-PV Drilling Joint Venture Company Limited (BJ-PVD Joint Venture) and PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited (PVD-Baker Hughes Joint Venture): BJ-PVD Joint Venture would be dissolved upon expiry of the joint venture contract and PVD-Baker Hughes Joint Venture's business lines was amended to include BJ-PVD Joint Venture's current business lines.

According to the Resolution No. 05/12/2018/NQ-HĐQT dated 28 December 2018, the Board of Management has approved the business plan of "Purchase of Devices from BJ-PVD Joint Venture" and approved amended joint venture charter, PVD-Baker Hughes Joint Venture contract and the implementation plans for such amendments since 1 November 2018.

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Disclosure of information comparability in the translated consolidated financial statements

The comparative figures of the consolidated balance sheet are the figures of the Group's audited translated consolidated financial statements for the year ended 31 December 2017 (the "Opening balance"). The comparative figures of the consolidated income statement and consolidated cash flow statement are the figures of the Group's audited translated consolidated financial statements for the year ended 31 December 2017 (the "Prior year").

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The Group uses United States Dollar ("USD") as currency unit. The Board of Directors believes that the use of USD as currency unit is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Group's business operations. For statutory reporting purposes as required by Circular No. 200/2014/TT-BTC, the Group translated its audited consolidated financial statements for the year ended 31 December 2018 prepared in United States Dollar (USD) into Vietnam Dong (VND) based on the following principles:

- Assets and liabilities are translated into Vietnam Dong at the actual closing rate (i.e. the transfer rate of the commercial bank where the Group regularly has transactions at the reporting date);
- Equity items (including owners' contributed capital, share premium and treasury shares) are translated into Vietnam Dong at the actual transaction rates at the capital contribution or buy-back of treasury shares dates;
- Exchange differences are translated into Vietnam Dong at the actual transaction rates at the revaluation date;
- Retained earnings, reserves appropriated from retained earnings arising after the investment date are translated into Vietnam Dong based on the consolidated income statement items;
- Items of the consolidated income statement and the consolidated cash flow statement are translated into Vietnam Dong at the average exchange rate of the accounting period because this rate is approximately equal to the actual exchange rate at the dates of the transactions (with the difference of no more than 3%).

Exchange differences arising on the translation of the consolidated financial statements prepared in foreign currency into Vietnam Dong are presented in the "Foreign exchange reserve" item with the code 417 under the "Owners' Equity" section on the consolidated balance sheet.

The accompanying translated consolidated financial statements are not intended to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Group's financial year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Group in the preparation of these translated consolidated financial statements, are as follows:

Accounting estimates

The preparation of translated consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the translated consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ from those estimates.

Basis of consolidation

The translated consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to the translated consolidated balance sheet date of each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance .

Business combination

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognised as an intangible asset and is amortised on the straight-line basis over its estimated period of benefit of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset in the consolidated balance sheet.

Goodwill arising on the acquisition of jointly controlled entities is included in the carrying amount of the jointly controlled entities. According to Circular 202, from 1 January 2015, this goodwill is not amortized.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Financial instruments

Initial recognition

Financial assets: At the date of initial recognition, financial assets are recognised at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Group comprise cash and cash equivalents, held-to-maturity investments, trade and other receivables.

Financial liabilities: At the date of initial recognition, financial liabilities are recognised at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Group comprise borrowings, trade and other payables and accrued expenses.

Subsequent measurement

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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Held-to-maturity investments

Held-to-maturity investments comprise investments that the Group has the positive intent or ability to hold to maturity, including term deposits to earn periodic interest.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the consolidated income statement on accrual basis.

Held-to-maturity investments are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more or when the debtor is unable to make settlement due to dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of externally purchased inventories comprise buying price of inventory and where applicable, purchasing costs that have been incurred in bringing the inventories to their present location and condition. Costs of manufactured inventories comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and trial run costs.

Drilling rigs (machinery and equipment) are depreciated over drilling rigs's operating hours of the rig, equivalent to the useful lives of the rigs as follows:

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	Current year	Prior year
	Year	Year
Rig PV Drilling I	20	20
Rig PV Drilling II (*)	35	20
Rig PV Drilling III (*)	35	20
Rig PV Drilling V	20	20
Rig PV Drilling VI (*)	35	20
Rig PV Drilling 11	10	10

(*) From 1 January 2018, the Board of Directors changed the useful lives of the rig PV Drilling II, III and VI from 20 years to 35 years. The Board of Directors believed that the increase in the useful lives of drilling rigs II, III and VI shall reflect more appropriately the usage of drilling rigs. The effect of the change in the useful lives of the above drilling rigs is presented in Note 10.

Other tangible fixed assets are depreciated using the straight-line method over their useful lives as follows:

	Year
Buildings and structures	6 - 50
Machinery and equipment (excluding Drilling Rigs)	5 - 10
Office equipments	3 - 5
Motor vehicles	7 - 12
Other assets	3 - 7

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the translated consolidated income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

The Group as lessor: Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee: Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Intangible assets and amortization

Intangible assets represent land use rights, the copyright of computer software and others. The total amount is stated at cost less accumulated amortization. Land use rights with indefinite time are not amortised. Land use rights with definite time are amortised on a straight-line basis over term of land use rights. Computer software and other intangible assets are amortised using the straight-line method over their estimated useful lives as five years.

Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, and other costs and related borrowing costs in accordance with the Group's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use. Depreciation of these assets is calculated from the date of ready-to-use as other non-current assets.

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Long-term financial investments

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy as noted for "Goodwill".

Prepayments

Prepayments comprise tools and spare parts incurred during the year which are expected to provide future economic benefits to the Group for more than one year. These expenditures have been capitalized as long-term prepayments and allocated to the consolidated income statement using the straight-line method over three years.

Accrued expenses

Accrued expenses include accruals for operation of rigs and other expenses. Accrued expenses reflect the value of the amounts accrued as production and operating costs but not yet actually paid at the balance sheet date.

Payable provisions

Payable provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

The provision for overhaul costs of fixed assets represents the overhaul costs accrued at each financial year based on the reliable estimated costs to be incurred in accordance with technical requirements of the Group's drilling rigs. In the accounting year that incurs overhaul cost of fixed assets, if actual cost is higher than estimated amount or vice versa, the different amount is recorded in the consolidated income statement of that accounting year.

Revenue recognitions

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each year by reference to the percentage of completion of the transaction at the balance sheet date of that year. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

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- (a) (the amount of revenue can be measured reliably;
 (b) it is probable that the economic benefits associated with the transaction will flow to the Group;
 (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
 (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is recorded on accrual basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income is recognised when the Group's right to receive payment has been established.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the six consecutive months nearest to the date of the translated consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement.

For the purpose of presenting translated consolidated financial statements, the assets and liabilities of subsidiaries and overseas branches are translated to reporting currency using exchange rates prevailing as at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising when translating the financial statements of subsidiaries and foreign branches are accumulatedly recognised into the equity on the consolidated balance sheet based on the following principles:

- Exchange differences allocated for the Group are presented in the "Foreign exchange reserve" under the "Owners' Equity" section on the consolidated balance sheet;
- Exchange differences allocated for the non-controlling shareholders are presented in the "Non-controlling interest".

Exchange differences arising from translating the goodwill at the balance sheet date which is not allocated is totally charged to the Group and presented in the "Foreign exchange reserve" under the "Owners' Equity" section on the consolidated balance sheet.

Exchange differences will be charged to the consolidated income statements once the subsidiaries and overseas branches are disposed.

Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

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Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are non-taxable or non-deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes governed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the current tax payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	4,087,383,855	4,665,023,625
Bank demand deposits	2,082,202,985,580	1,457,685,966,660
Cash equivalents	178,911,868,380	340,972,962,615
	2,265,202,237,815	1,803,323,952,900

Cash equivalents represent time deposits with the term of three months or less.

5. HELD-TO MATURITY INVESTMENTS

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Carrying amount	Cost	Carrying amount
a. Current				
- Time deposits	1,011,769,973,160	1,011,769,973,160	2,148,216,872,595	2,148,216,872,595
b. Non-current				
- Time deposits	91,875,998,535	91,875,998,535	-	-

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Held-to-maturity investments as at 31 December 2018 represent time deposits at commercial banks which expire in more than 3 months and bear changeable interest rates noticed by the banks at regular intervals.

In respectively with some of the above time deposit contracts, the Company has entered into some Cross Currency Swap contracts with commercial banks to swap for USD 21,781,000 which was equivalent to VND 522,173,178,350 (as at 31 December 2017: USD 57,860,500, which was equivalent to VND 1,350,365,320,735).

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Vietsovpetro Joint Venture	403,047,909,510	154,514,775,157
PetroVietnam Exploration Production Corporation	206,871,190,395	185,194,982,921
MKN ODYSSEY Ventures SDN.BHD	172,997,672,820	130,733,566,064
Receivables from other customers	833,711,067,465	1,135,493,682,238
	1,616,627,840,190	1,605,937,006,380

Short-term trade receivables from related parties: see Note 41.

	Closing balance		Opening balance	
	VND	VND	VND	VND
	"Overdue debt over 6 months (Cost)"	Provision	"Overdue debt over 6 months (Cost)"	Provision
PetroVietnam Domestic Exploration Production Operating Company Limited	91,029,215,565	(60,069,722,925)	450,616,527,915	(220,582,461,189)
PetroVietnam Exploration Production Corporation	187,512,133,770	(134,851,032,765)	183,927,204,360	(93,977,838,690)
Other customers	13,452,498,915	(10,598,975,010)	14,459,242,596	(9,698,947,776)
	291,993,848,250	(205,519,730,700)	649,002,974,871	(324,259,247,655)

7. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance	Opening balance
	VND	VND
Thien Phu Engineering Co., Ltd.	3,547,086,975	-
Others suppliers	26,614,967,835	150,386,037,390
	30,162,054,810	150,386,037,390

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8. OTHER SHORT-TERM RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Interest income receivables	15,689,740,905	84,031,144,785
Receivables related to profits declared	43,205,766,735	-
Receivables from employees	1,746,938,310	2,870,431,590
Deposits	73,898,004,060	10,200,927,210
Other receivables	36,767,915,550	22,899,174,780
	171,308,365,560	120,001,678,365

9. INVENTORIES

	Closing balance		Opening balance	
	Cost	VND Provision	Cost	VND Provision
Goods in transit	17,187,639,015	-	5,612,488,620	-
Raw materials	661,648,684,095	(155,397,011,280)	735,593,640,255	(137,642,935,785)
Tools and supplies	78,662,078,280	-	16,292,667,255	-
Work in progress	60,712,783,605	-	43,678,356,120	-
Merchandise	64,829,746,770	-	72,052,420,305	-
Goods on consignment	32,246,331,495	-	18,573,627,525	-
	915,287,263,260	(155,397,011,280)	891,803,200,080	(137,642,935,785)

During the year ended 31 December 2018, the Group made additional provision for devaluation of inventories of VND 17,754,075,495 (2017: the Group reverted provision of VND 11,860,535,415).

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	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Others	Total
	VND	VND	VND	VND	VND	VND
COST						
Opening balance	372,168,094,020	22,421,184,820,905	68,390,980,215	77,112,630,870	1,271,529,165	22,940,128,055,175
Additions	4,164,563,952	32,978,667,168	2,195,575,056	59,687,232	-	39,398,493,408
Other increases	-	-	1,064,184,720	473,060,400	-	1,537,245,120
Disposals	(111,350,256)	(18,147,424,656)	(501,708,432)	(204,835,728)	-	(18,965,319,072)
Other decreases	(125,007,504)	(1,094,097,312)	-	-	-	(1,219,104,816)
Foreign exchange differences	5,076,367,143	355,930,741,515	1,154,675,466	1,050,771,696	22,345,770	363,234,901,590
Closing balance	381,172,667,355	22,790,852,707,620	72,303,707,025	78,491,314,470	1,293,874,935	23,324,114,271,405
ACCUMULATED DEPRECIATION						
Opening balance	154,682,256,135	8,005,732,637,235	60,186,839,505	70,536,834,420	1,189,459,200	8,292,328,026,495
Charge for the year	13,612,390,608	593,509,464,096	3,500,072,160	2,410,711,200	32,694,624	613,065,332,688
Other increases	-	-	1,064,184,720	473,060,400	-	1,537,245,120
Disposals	(111,350,256)	(15,354,126,576)	(478,601,472)	(204,835,728)	-	(16,148,914,032)
Other decreases	(125,007,504)	(1,094,097,312)	-	-	-	(1,219,104,816)
Reclassification	-	(262,752,576)	-	-	-	(262,752,576)
Foreign exchange differences	1,093,610,637	140,462,780,118	1,012,722,312	1,010,661,318	23,162,901	143,602,937,286
Closing balance	169,151,899,620	8,722,993,904,985	65,285,217,225	74,226,431,610	1,245,316,725	9,032,902,770,165
NET BOOK VALUE						
Opening balance	217,485,837,885	14,415,452,183,670	8,204,140,710	6,575,796,450	82,069,965	14,647,800,028,680
Closing balance	212,020,767,735	14,067,858,802,635	7,018,489,800	4,264,882,860	48,558,210	14,291,211,501,240

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As stated in Note 3, from 1 January 2018, the Board of Directors changed the useful lives of PV Drilling II, III and VI from 20 years to 35 years. The Board of Directors believes that the increase in the useful lives of PV drilling II, III and VI shall reflect more appropriately the usage of drilling rigs. Depreciation expense of PV Drilling II, III and VI for the year ended 31 December 2018 under the new useful lives is VND 334,085,324,976 (Depreciation expense of PV Drilling II, III and VI for the year ended 31 December 2018 under the old useful lives is VND 584,649,312,960).

As stated in Note 22, the Group has pledged some tangible fixed assets which are PV Drilling V and PV Drilling VI, some machineries and other equipments with the carrying amount of VND 7,157,492,186,872 as at 31 December 2018 (as at 31 December 2017: VND 9,956,065,655,850) as collaterals for the Group's loans.

From the early of November 2016 to 31 December 2018, the Rig PV Drilling V has been ceased operation to wait for new contract. The Rig PV Drilling V's net book value as at 31 December 2018 was VND 2,813,090,939,700 (as at 31 December 2017: VND 2,813,090,939,700).

As at 31 December 2018, the cost of the Group's tangible fixed assets which have been fully depreciated but are still in use VND is 1,018,579,064,226 (as at 31 December 2017: VND 684,460,515,244).

Depreciation charged for the year included VND 13,978,739,037 of depreciation of fixed assets constructed and purchased by Scientific and Technological Development Fund for the purpose of scientific and technological developmental researches (2017: VND 11,021,560,868).

Foreign exchange differences resulted from the translation of the subsidiaries and Algeria Branch's financial statements from historical cost of assets expressed in Vietnam Dong ("VND") and Algerian Dinar ("DZD") into United States Dollar ("USD") and translation of the Group's consolidated financial statements from USD to VND.

11. INCREASES/DECREASES IN INTANGIBLE ASSETS

	Land use rights	Computer software	Total
	VND	VND	VND
COST			
Opening balance	193,981,280,955	77,414,506,005	271,395,786,960
Additions	-	4,951,511,136	4,951,511,136
Foreign exchange differences	2,938,531,530	1,590,618,759	4,529,150,289
Closing balance	196,919,812,485	83,956,635,900	280,876,448,385
ACCUMULATED DEPRECIATION			
Opening balance	27,834,410,535	70,102,142,385	97,936,552,920
Charge for the year	3,704,425,056	5,669,229,408	9,373,654,464
Reclassification	-	262,752,576	262,752,576
Foreign exchange differences	501,505,404	1,524,053,136	2,025,558,540
Closing balance	32,040,340,995	77,558,177,505	109,598,518,500
NET BOOK VALUE			
Opening balance	166,146,870,420	7,312,363,620	173,459,234,040
Closing balance	164,879,471,490	6,398,458,395	171,277,929,885

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Foreign exchange differences resulted from the translation of the subsidiaries and Algeria Branch's financial statements from historical cost of assets expressed in Vietnam Dong ("VND") and Algerian Dinar ("DZD") into United States Dollar ("USD") and translation of the Group's consolidated financial statements from USD to VND.

As at 31 December 2018, the cost of the Group's intangible fixed assets which have been fully amortized but are still in use is VND 69,764,193,650 (as at 31 December 2017: VND 47,561,159,241).

12. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
ERP Project - Phase 3	9,303,942,825	9,110,990,025
Other construction works	54,745,678,575	28,344,327,705
	64,049,621,400	37,455,317,730

13. INVESTMENTS IN JOINT VENTURES

Summarised financial information of the Group's joint ventures is as follows:

Name of joint ventures	Registered charter capital	Ownership proportion	Contributed charter capital	Cost of investment	
				Closing balance	Opening balance
	USD	%	USD	VND	VND
BJ-PVD	5,000,000	49	2,450,000	48,039,113,955	48,039,113,955
PVD-Expro	6,371,352	51	3,249,390	59,528,570,997	59,528,570,997
PVD Tubulars	3,500,000	51	1,785,000	30,515,952,000	30,515,952,000
PVD-Baker Hughes	20,000,000	51	10,200,000	211,753,000,000	211,753,000,000
Vietubes	3,707,300	51	1,890,723	86,637,631,068	86,637,631,068
PVD-OSI	5,000,000	51	2,550,000	53,111,400,000	53,111,400,000

The value of the investment in joint ventures using the equity method of accounting as at balance sheet date was as follows:

	Closing balance	Opening balance
	VND	VND
BJ-PVD	66,540,787,185	55,037,600,820
PVD-Expro	64,869,093,270	56,521,999,665
PVD Tubulars	30,023,277,390	39,804,363,660
PVD-Baker Hughes	278,952,751,710	270,728,869,335
Vietubes	94,496,568,015	88,362,154,305
PVD-OSI	50,853,360,780	48,183,682,155
	585,735,838,350	558,638,669,940

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The movement of Group's share in joint ventures' profit and investment value during the year was as follows:

	Opening balance	Shared profit/(loss)	Declared profit	Foreign exchange differences from translation	Closing balance
	VND	VND	VND	VND	VND
BJ-PVD	55,037,600,820	10,269,261,840	-	1,233,924,525	66,540,787,185
PVD-Expro	56,521,999,665	8,347,107,648	-	(14,043)	64,869,093,270
PVD Tubulars	39,804,363,660	(10,553,833,824)	-	772,747,554	30,023,277,390
PVD-Baker Hughes	270,728,869,335	45,394,071,264	(42,920,155,056)	5,749,966,167	278,952,751,710
Vietubes	88,362,154,305	4,388,345,088	-	1,746,068,622	94,496,568,015
PVD-OSI	48,183,682,155	2,669,647,104	-	31,521	50,853,360,780
	558,638,669,940	60,514,599,120	(42,920,155,056)	9,502,724,346	585,735,838,350

The Group has not assessed fair value of the investments in joint ventures as at the balance sheet date due to no specific guidance on determination of fair value.

As stated in Note 1, the Board of Management has approved the restructuring plans of BJ Services-PV Drilling Joint Venture Company Limited (BJ-PVD Joint Venture) and PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited (PVD-Baker Hughes Joint Venture): BJ-PVD Joint Venture would be dissolved upon expiry of the joint venture contract and PVD-Baker Hughes Joint Venture's business lines was amended to include BJ-PVD Joint Venture's current business lines. Therefore, the financial statements of BJ-PVD Joint Venture were prepared on the liquidation basis.

At the date of these financial statements, the Board of Directors is reviewing on restructuring plans for PVD-OSI and PVD-Expro Joint Ventures.

The significant transactions and balances between the Group and its joint ventures: see Note 41.

14. DEFERRED TAX ASSETS

Deferred tax assets as at 31 December 2018 were derived from the temporary differences which were depreciation, accrued expenses, other provisions and unrealized foreign exchange differences from revaluation of cash and receivables.

	Depreciation, accrued expenses and other provisions	Unrealized foreign exchange differences	Total
	VND	VND	VND
Prior year's opening balance	25,281,557,500	312,125,000	25,593,682,500
Charge to income statement for the year	62,034,857,640	(862,316,280)	61,172,541,360
Foreign exchange differences from translation	(68,697,222)	(2,768,388)	(71,465,610)
Current year's opening balance	87,247,717,918	(552,959,668)	86,694,758,250
Credit/(Charge) to income statement for the year	17,810,545,872	(261,465,024)	17,549,080,848
Foreign exchange differences from translation	1,893,301,628	1,223,419	1,894,525,047
Current year's closing balance	106,951,565,418	(813,201,273)	106,138,364,145

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15. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount	VND Amount able to be paid off	Amount	VND Amount able to be paid off
Oil States Industries (Asia) Pte.	95,665,575,675	95,665,575,675	71,598,621,675	71,598,621,675
Kim Seng Huat Hardware Pte Ltd.,	114,535,833,045	114,535,833,045	50,004,021,630	50,004,021,630
Other suppliers	753,393,103,305	753,393,103,305	555,153,540,885	555,153,540,885
	963,594,512,025	963,594,512,025	676,756,184,190	676,756,184,190

Short-term trade payables to related parties: see Note 41.

16. SHORT-TERM ADVANCE TO CUSTOMERS

	Closing balance	Opening balance
	VND	VND
PTSC Mechanical and Construction Co., Ltd.	25,776,470,775	-
Rosneft Vietnam B.V	-	201,275,942,585
Others	3,652,743,900	17,712,584,800
	29,429,214,675	218,988,527,385

17. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

Obligations to the State budget during the year of the Group are as follows:

	Opening balance	Additions	Paid	Foreign exchange differences	Closing balance
	VND	VND	VND	VND	VND
Value added tax	15,821,303,250	239,497,501,536	238,038,590,160	188,474,124	17,468,688,750
Import duties	4,125,030	33,734,828,064	33,621,914,352	(457,377)	116,581,365
Corporate income tax	108,550,005,795	77,544,566,592	142,884,151,872	1,575,478,515	44,785,899,030
Personal income tax	9,835,204,770	172,902,530,064	168,398,167,344	169,616,400	14,509,183,890
Others	18,029,372,880	105,961,184,112	108,755,677,776	287,523,339	15,522,402,555
	152,240,011,725	629,640,610,368	691,698,501,504	2,220,635,001	92,402,755,590
In which:					
Tax receivables from the State budget	(3,495,078,990)				(3,512,346,330)
Tax payables to the State budget	155,735,090,715				95,915,101,920

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18. SHORT-TERM ACCRUED EXPENSES

	Closing balance	Opening balance
	VND	VND
Accrued expenses for operation of drilling rigs	101,651,775,330	96,039,832,395
Accrued expenses related to supply of goods and services	109,997,885,475	145,768,564,935
Accrued interest expenses	15,455,606,085	21,994,048,005
Other expenses	52,390,350,795	69,476,271,075
	279,495,617,685	333,278,716,410

19. OTHER CURRENT PAYABLES

	Closing balance	Opening balance
	VND	VND
Profit shared to partners in Business Cooperation Contract ("BCC")	292,126,955,145	314,027,677,365
Other payables	56,073,808,110	47,669,594,625
	348,200,763,255	361,697,271,990

20. SHORT-TERM LOANS

	Opening balance		In the year			Closing balance	
	Amount	VND Amount able to be paid off	Increases	Decreases	VND Foreign exchange differences	Amount	VND Amount able to be paid off
Short-term loan	-	-	29,209,057,000	(29,209,057,000)	-	-	-
Current portion of long-term loans (see Note 22)"	1,342,640,443,845	1,342,640,443,845	510,896,058,192	(1,516,134,095,520)	25,010,636,568	362,413,043,085	362,413,043,085
	1,342,640,443,845	1,342,640,443,845	540,105,115,192	(1,545,343,152,520)	25,010,636,568	362,413,043,085	362,413,043,085

21. SHORT-TERM PROVISIONS

	Provision for overhaul cost of fixed assets	Provision for product warranty	Provision for severance allowancec	Total
	VND	VND	VND	VND
Opening balance	517,806,335,205	-	24,886,464,645	542,692,799,850
Utilize during the year	(111,398,056,368)	-	-	(111,398,056,368)
Reclassification from long-term provisions	12,749,891,712	1,094,327,232	-	13,844,218,944
Additional provisions for the year	3,747,764,976	-	769,542,240	4,517,307,216
Foreign exchange differences	9,368,623,620	(4,244,022)	199,226,325	9,563,605,923
Closing balance	432,274,559,145	1,090,083,210	25,855,233,210	459,219,875,565

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The provision for product warranty was provided for products and services have been transferred to buyers but the Group still obligates to repair in accordance with the terms of contracts or commitments.

22. LONG-TERM LOANS

	Closing balance	Opening balance
	VND	VND
Long-term loans	3,839,599,896,165	4,672,215,116,175
Current portion of long-term loans (Note 20)	(362,413,043,085)	(1,342,640,443,845)
	3,477,186,853,080	3,329,574,672,330

	Opening balance		During the year			Closing balance	
	Amount	Amount able to be paid off	Increases	Decreases	Foreign exchange differences	Amount	Amount able to be paid off
	VND		VND			VND	
Long-term loans	3,329,574,672,330	3,329,574,672,330	587,622,431,472	(510,896,058,192)	70,885,807,470	3,477,186,853,080	3,477,186,853,080
	3,329,574,672,330	3,329,574,672,330	587,622,431,472	(510,896,058,192)	70,885,807,470	3,477,186,853,080	3,477,186,853,080

As at 31 December 2018, the Group has successfully extended the loans with Seabank and Vietcombank (construction of PV Drilling VI). Therefore, a loan amount of VND 575,820,936,768 has been reclassified from current portion of long-term loans to long-term loans.

Meanwhile, the Company is in the process of negotiating to extend loans relating to PV Drilling V with banks.

Details of the long-term loans are as follows:

	Closing balance	Opening balance
	VND	VND
Military Joint Stock Commercial Bank ("MBBank")	7,803,545,055	-
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	54,268,868,430	90,060,669,405
Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV"), PetroVietnam Finance Corporation "PVFC", Vietnam Export Import Commercial Joint Stock Bank ("Eximbank")	-	561,826,298,205
Military Joint Stock Commercial Bank ("MBBank"), Ocean Commercial One Member Limited Library Bank ("OceanBank"), Vietnam Joint Stock Commercial Bank For Industry and Trade ("Vietinbank") and Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	340,447,165,110	552,989,600,010
Southeast Asia Commercial Joint Stock Bank ("Seabank") and Vietcombank	3,437,080,317,570	3,467,338,548,555
	3,839,599,896,165	4,672,215,116,175

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Supplemental information for the Group's long-term loans are as follows:

Name of Bank	Purpose of financing	Interest rate %	Form of collaterals	Closing Balance	Currency
Vietcombank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	2,176,155	USD
MBBank & Vietinbank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	5,469,627	USD
MBBank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	5,399,345	USD
MBBank & OceanBank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	3,840,346	USD
Seabank & Vietcombank	PV Drilling VI	LIBOR 3 months + margin	Guaranteed by value of PV Drilling VI with corresponding loan proportion	148,502,066	USD
Vietcombank	Purchasing machinery and equipment	LIBOR 3 months + margin	Formed assets from project	168,579	USD
MBBank	Purchasing machinery and equipment	4% + margin	Deposit contract	337,159	USD

Long-term loans are repayable as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	362,413,043,085	1,342,640,443,845
In the second year	243,560,806,410	1,089,979,432,560
In the third to fifth year inclusive	593,173,460,955	2,095,206,180,060
After five years	2,640,452,585,715	144,389,059,710
	3,839,599,896,165	4,672,215,116,175
"Less: Amount due for settlement within 12 months (shown under current liabilities)"	(362,413,043,085)	(1,342,640,443,845)
Amount due for settlement after 12 months	3,477,186,853,080	3,329,574,672,330

23. LONG-TERM PROVISIONS

	Provision for overhaul cost of fixed assets	Provision for product warranty	Total
	VND	VND	VND
Opening balance	170,920,006,095	1,090,979,775	172,010,985,870
Reversal of provision for the year	(6,875,159,808)	-	(6,875,159,808)
Reclassification to short-term provision	(12,749,891,712)	(1,094,327,232)	(13,844,218,944)
Foreign exchange differences	3,489,153,960	3,347,457	3,492,501,417
Closing balance	154,784,108,535	-	154,784,108,535

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24. SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND

According to the Group's Charter, the Group is permitted to appropriate profit to the Scientific and Technological Development Fund with the amount appropriated does not exceed 10% of taxable profit.

Movement of fund providing and using during the year is as follows:

	Sciences and technology development fund		
	Available	The carrying value of assets formed from the fund	Total
			VND
Prior year's opening balance	1,017,946,269,600	78,931,759,000	1,096,878,028,600
Increase in the year	-	11,946,018,237	11,946,018,237
- Forming fixed assets	-	11,946,018,237	11,946,018,237
Decrease in the year	(640,471,249,176)	(11,021,560,868)	(651,492,810,044)
- Fund usage	(13,128,409,252)	-	(13,128,409,252)
- Reversal of unused fund	(627,342,839,924)	-	(627,342,839,924)
- Depreciation of Fixed assets	-	(11,021,560,868)	(11,021,560,868)
Foreign exchange differences on conversion	1,472,175,096	36,775,381	1,508,950,477
Current year's opening balance	378,947,195,520	79,892,991,750	458,840,187,270
Increase in the year	-	16,079,905,305	16,079,905,305
- Forming fixed assets	-	16,079,905,305	16,079,905,305
Decrease in the year (**)	(159,728,297,156)	(13,978,739,037)	(173,707,036,193)
- Fund usage	(17,302,347,466)	-	(17,302,347,466)
+ The Company	(614,280,003)	-	(614,280,003)
+ Subsidiaries	(16,688,067,463)	-	(16,688,067,463)
- Reversal of unused fund (*)	(142,425,949,690)	-	(142,425,949,690)
- Depreciation of Fixed assets	-	(13,978,739,037)	(13,978,739,037)
Foreign exchange differences on conversion	(59,569,871,224)	2,041,030,392	(57,528,840,832)
Current year's closing balance	159,649,027,140	84,035,188,410	243,684,215,550

(*) For the year ended 31 December 2018, the Company has reverted the unused Science and Technology Development Fund accrued in 2015 with the amount of VND 142,425,949,690 (2017: VND 627,342,839,924) based on the actual fund demand and usage plan of Science and Technology Development in the year of 2019 and 2020. The reversal amount in the year is determined based on the amount of Vietnam Dong that the Company has declared on the corporate income tax finalization declaration with the tax department at the year of making the Fund appropriation.

(**) As at 31 December 2018, the accumulated usage amount of the Scientific and Technological Development Fund of the Group was VND 126,648,442,280.

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25. OWNERS' EQUITY**Charter Capital**

According to the 12th amendment of the Business Registration Certificate, the Group's charter capital as at 31 December 2018 is VND 3,832,661,600,000, equivalent to USD 196,947,181. The number of shares which has been approved and issued by the Group was as below:

	Closing balance		Opening balance	
	Number of shares	VND	Number of shares	VND
Authorized share capital	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
Issued share capital				
Ordinary shares	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
Treasury shares				
Ordinary shares	(416,000)	(4,160,000,000)	(416,000)	(4,160,000,000)
	(416,000)	(4,160,000,000)	(416,000)	(4,160,000,000)
Shares currently in circulation				
Ordinary shares	382,850,160	3,828,501,600,000	382,850,160	3,828,501,600,000
	382,850,160	3,828,501,600,000	382,850,160	3,828,501,600,000

Ordinary shares have a par value of VND 10,000. The Group has only one class of ordinary shares which carry no right to fixed dividend. Ordinary shareholders will receive dividends at the time of declaration and be entitled to a voting right for each owned share at the shareholders' meeting. All shares rank equally with regard to the Group's residual assets.

Petrovietnam, which is both the founding shareholder and the main shareholder of the Group, currently hold 193,179,459 shares, equivalent to 50.4% as at 31 December 2018 and as at 31 December 2017 of total shares in circulation of the Group.

Movement in owners' equity during the year were as follows:

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	Owner's contributed capital	Share premium	Treasury shares	Foreign exchange reserve	Investment and development fund	Retained earnings	Non-controlling interests	Total
	VND	VND	VND	VND	VND	VND	VND	VND
Prior year's opening balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,475,035,203,020	1,555,178,332,202	3,930,049,160,031	269,339,094,234	13,475,401,204,300
Dividends declared	-	-	-	-	-	-	(1,396,171,000)	(1,396,171,000)
Foreign exchange differences	-	-	-	(26,175,978,900)	-	540,351,000	61,644,240	(25,573,983,660)
Profit for the year	-	-	-	-	-	35,561,718,360	-	35,561,718,360
Funds distribution	-	-	-	-	13,591,078,524	(30,959,612,120)	(519,009,120)	(17,887,542,716)
Allocation to NCI	-	-	-	-	-	2,890,185,216	(2,890,185,216)	-
Distributions to BCC (Note 26)	-	-	-	-	-	6,828,282,326	-	6,828,282,326
Current year's opening balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,448,859,224,120	1,568,769,410,726	3,944,910,084,813	264,595,373,138	13,472,933,507,610
Dividends declared	-	-	-	-	-	-	(2,792,342,000)	(2,792,342,000)
Foreign exchange differences	-	-	-	233,996,322,384	-	(107,832,480)	(865,487,856)	233,023,002,048
Profit for the year	-	-	-	-	-	172,691,394,528	-	172,691,394,528
Funds distribution	-	-	-	-	19,901,230,807	(66,712,437,814)	(603,241,104)	(47,414,448,111)
Allocation to NCI	-	-	-	-	-	3,360,183,306	(3,360,183,306)	-
Distributions to BCC (Note 26)	-	-	-	-	-	21,734,658,590	-	21,734,658,590
Current year's closing balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,682,855,546,504	1,588,670,641,533	4,075,876,050,943	256,974,118,872	13,850,175,772,665

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Foreign exchange reserve represents the differences from the translation of financial statements of the branches in Algeria, Malaysia, Thailand from Algeria Dinar, Malaysian Ringgit, Thai Baht into US Dollar, translation of financial statements of the subsidiaries from VND to USD and translation of consolidated financial statements from USD into VND.

In 2018, the Group appropriated for Investment and Development Fund, Bonus and Welfare Fund out of the Group's profit after tax during the year in accordance with the Subsidiaries's Charter.

According to Resolution of the Shareholders' Meeting No. 01/2018/NQ-DHDCD dated 27 April 2018, the Company declared dividends of 2017 at rate of 10% of its charter capital and will be paid in shares. However, as at the date of the financial statements, the declared dividends have not yet been paid. The dividend paid in shares will be implemented after the approval of the Shareholders' Meeting in 2019.

	Foreign exchange rate difference from translation of foreign branches' operation	Foreign exchange rate difference from translation of subsidiaries' financial statements	Total
	VND	VND	VND
Prior year's opening balance	(46,950,920,559)	1,521,986,123,579	1,475,035,203,020
Additions in the year	(2,746,865,520)	(23,429,113,380)	(26,175,978,900)
Current year's opening balance	(49,697,786,079)	1,498,557,010,199	1,448,859,224,120
Additions in the year	(12,251,770,032)	246,248,092,416	233,996,322,384
Closing balance	(61,949,556,111)	1,744,805,102,615	1,682,855,546,504

26. NON-CONTROLLING INTERESTS AND INTERESTS OF PARTNERS IN BUSINESS COOPERATION CONTRACT

Non-controlling interests ("NCI") and interests of partners in business cooperation contract ("BCC") represent the other shareholders' portion in the operating result of PVD Training and PVD Overseas and interest of partners in the business cooperation contract with the following details:

	Current year	Prior year
	VND	VND
NCI in PVD Training và PVD Overseas (*)	(3,360,183,306)	(2,890,185,216)
BCC interests (**)	(21,734,658,590)	(6,828,282,326)
	(25,094,841,896)	(9,718,467,542)

(*) Detail of NCI in PVD Training and PVD Overseas

The rate of the NCI in PVD Training and PVD Overseas as at 31 December 2018 and 31 December 2017 were calculated as follows:

	PVD Training	PVD Overseas
	VND	USD
Charter capital of subsidiaries	28,958,670,000	66,698,050
Including:		
Distributed capital to the Company	14,996,960,000	54,400,000
Distributed capital to the non-controlling interests	13,961,710,000	12,298,050
Share of the non-controlling interests	48.21%	18.44%

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NCI in net asset as at 31 December 2018 and 31 December 2017 were as follows:

	Closing balance	Opening balance
	VND	VND
Non-controlling interests	256,974,118,872	264,595,373,138
Details as follows:		
<i>PVD Training</i>		
Charter capital	13,961,710,000	13,961,710,000
Share premium	150,655,698	150,655,698
Other funds	7,505,154,600	6,901,896,572
Retained earnings	20,292,015,778	20,269,153,651
<i>PVD Overseas</i>		
Contributed capital	263,191,917,150	263,191,917,150
Foreign exchange differences from conversion	(3,330,038,918)	(2,464,567,985)
Accumulated losses	(44,797,295,436)	(37,415,391,948)

NCI in operating result:

	Current year	Prior year
	VND	VND
Loss for the year	(31,693,828,224)	(27,263,673,360)
Non-controlling loss in operating result	(3,360,183,306)	(2,890,185,216)

() Details of interests of partners in BCC**

The Group and its partners in BCC including Petrovietnam, Military Joint-Stock Commercial Bank ("MBBank") and Ocean Joint-Stock Commercial Bank ("OceanBank") have cooperated in financing and operating the Tender Assist Drilling Rig project ("TAD" or "PV Drilling V") for the period of 17 years since 10 September 2009. According to BCC, the Group has been authorised to manage and operate the project as well as accounted for its result as a base for profit/(loss) shared to all partners corresponding to capital contribution percentage in BCC.

Percentage of capital contribution of all partners in BCC as follows:

	Percentage
	%
Capital contribution of Petrovietnam	23.00
Capital contribution of the Group	62.43
Capital contribution of MBBank	9.71
Capital contribution of OceanBank	4.86

The financial portion of BCC was presented in the translated consolidated financial statements of the Group as follows:

	Closing balance	Opening balance
	VND	VND
Total Assets	2,954,538,607,462	3,298,257,683,559
<i>In which: Net book value of PV Drilling V rig (*)</i>	<i>2,813,090,939,700</i>	<i>2,813,090,939,700</i>

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The actual contributed capital of other partners (Petrovietnam, MBBank and OceanBank) in BCC in order to finance and operate "TAD" project was recognized as other long-term payables. The other long-term payables as at 31 December 2018 and 31 December 2017 were as follows:

	Closing balance	Opening balance
	VND	VND
Petrovietnam	278,173,894,859	278,173,894,859
MBBank	133,229,238,748	133,229,238,748
OceanBank	68,756,768,760	68,756,768,760
Foreign exchange difference from translation	(1,859,867,427)	(1,478,388,792)
	478,300,034,940	478,681,513,575

The business performance and the (loss)/profit distribution based on the proportions of their capital contribution as at 31 December 2018 and 31 December 2017 as follows:

	Current year	Prior year
	VND	VND
Net revenue	18,011,199,226	46,326,354,325
Cost of sales	50,610,077,955	46,821,491,906
General and administration expenses	7,310,418,923	12,857,608,328
Financial expenses	47,406,524,731	54,152,547,443
Financial income	1,380,618,348	24,012,184,904
Other profit	30,245,498,398	32,967,869,937
Deferred corporate income tax expense	-	7,246,217,788
Net loss	(55,689,705,637)	(17,771,456,299)
Adjustment for expenses not subject to BCC	(2,161,395,215)	(403,370,227)
Net loss distributed to BCC parties	(57,851,100,852)	(18,174,826,526)
Shared loss as the percentage of capital contribution		
<i>The Group</i>	<i>(36,116,442,262)</i>	<i>(10,943,173,973)</i>
Other BCC parties:	(21,734,658,590)	(6,828,282,326)
<i>Petrovietnam</i>	<i>(13,305,753,196)</i>	<i>(4,180,210,101)</i>
<i>MBBank</i>	<i>(5,617,341,893)</i>	<i>(1,764,775,656)</i>
<i>OceanBank</i>	<i>(2,811,563,501)</i>	<i>(883,296,569)</i>

Until the date of the translated consolidated financial statements, the report of business activities of BCC for the year end 31 December 2018 has not yet been verified and settled between partners in BCC. Therefore, the Company just temporarily recorded the business performance and the profit distributions to partners in BCC based on the proportions of their capital contributions.

27. OFF BALANCE SHEET ITEMS**Operating lease assets**

Minimum lease payment in the future under non-cancellable operating leases under the terms described in Note 39.

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Foreign currencies	Closing balance	Opening balance
Vienam Dong ("VND")	1,399,560,573,305	2,628,858,516,869
Euro ("EUR")	6,332	345,822
British Pound ("GBP")	3,868	5,782
Myanmar Kyat ("MMK")	1,342,675	1,342,675
Singapore Dollar ("SGD")	36,825	36,411
Algerian Dinar ("DZD")	3,441,425	5,315,352
Baht Thai ("THB")	2,243	-
Malaysia Ringgit ("MYR")	1,134,097	-

28. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organized into three operating divisions - drilling services, trading and other services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Drilling services: providing drilling rigs and drilling services.
- Trading: provide material and equipment for drilling activities.
- Other services: provide well services, wire line logging, oil spill control service, drilling manpower supply service, investment-management project consulting service, management consulting service and other related services in the oil and gas industry.

Segment information about the Group's business is presented below:

Balance sheet

As at 31 December 2018

	Drilling services	Trading	Other services	Total
	VND	VND	VND	VND
Assets				
Segment assets	18,800,843,269,935	771,096,598,080	1,431,873,085,995	21,003,812,954,010
Unallocated assets	-	-	-	-
Consolidated assets				21,003,812,954,010
Liabilities				
Segment liabilities	5,822,646,716,040	502,477,510,245	828,512,955,060	7,153,637,181,345
Unallocated liabilities	-	-	-	-
Consolidated liabilities				7,153,637,181,345

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Income statement

For the year ended 31 December 2018

	Drilling services	Trading	Other services	Total
	VND	VND	VND	VND
Gross revenue	2,084,568,990,240	1,349,649,345,408	2,065,925,996,016	5,500,144,331,664
Net revenue	2,084,568,990,240	1,349,649,345,408	2,065,925,996,016	5,500,144,331,664
Cost of sales	2,102,815,740,336	1,314,401,459,808	1,685,922,382,176	5,103,139,582,320
(Loss)/gross profit	(18,246,750,096)	35,247,885,600	380,003,613,840	397,004,749,344
Financial income				190,480,534,848
Financial expenses				257,694,450,960
Selling expenses				12,527,949,936
General and administration expenses				284,929,049,760
Operating profit				32,333,833,536
Other income				153,997,978,848
Other expenses				14,159,531,232
Profit from other activities				139,838,447,616
Accounting profit before tax				172,172,281,152
Income from investments in joint ventures				60,514,599,120
Current corporate income tax expense				77,544,566,592
Deferred corporate tax income				(17,549,080,848)
Net profit after corporate income tax				172,691,394,528

Balance sheet

As at 31 December 2017

	Drilling services	Trading	Other services	Total
	VND	VND	VND	VND
Assets				
Segment assets	19,670,227,273,865	721,850,041,915	1,425,383,299,875	21,817,460,615,655
Unallocated assets	-	-	-	-
Consolidated assets				21,817,460,615,655
Liabilities				
Segment liabilities	7,048,124,282,296	455,051,892,600	841,350,933,149	8,344,527,108,045
Unallocated liabilities	-	-	-	-
Consolidated liabilities				8,344,527,108,045

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Income statement

For the year ended 31 December 2017

	Drilling services	Trading	Other services	Total
	VND	VND	VND	VND
Gross revenue	1,743,528,311,280	408,472,197,840	1,738,708,765,920	3,890,709,275,040
Net revenue	1,743,528,311,280	408,472,197,840	1,738,708,765,920	3,890,709,275,040
Cost of sales	1,910,038,974,480	381,009,053,880	1,407,785,702,400	3,698,833,730,760
(Loss)/gross profit	(166,510,663,200)	27,463,143,960	330,923,063,520	191,875,544,280
Financial income				198,270,873,360
Financial expenses				279,225,727,200
Selling expenses				18,563,171,760
General and administration expenses				569,024,258,040
Operating loss				(476,666,739,360)
Other income				634,584,993,840
Other expenses				11,855,221,560
Profit from other activities				622,729,772,280
Accounting profit before tax				146,063,032,920
Income from investments in joint ventures				4,905,343,800
Current corporate income tax expense				176,579,199,720
Deferred corporate tax income				(61,172,541,360)
Net profit after corporate income tax				35,561,718,360

Geographical segments

For the year ended 31 December 2018, the Group is operating in geographical areas Vietnam, Algeria, Myanmar, Thailand and Malaysia. Segment information about the Group's geographical operation is presented below:

Balance sheet

As at 31 December 2018

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Assets						
Segment assets	17,507,686,051,896	-	3,343,546,293,863	1,772,675,550	150,807,932,702	21,003,812,954,010
Unallocated assets	-	-	-	-	-	-
Consolidated assets						21,003,812,954,010
Liabilities						
Segment liabilities	7,041,748,356,314	-	72,738,168,995	1,696,227,615	37,454,428,422	7,153,637,181,345
Unallocated liabilities	-	-	-	-	-	-
Consolidated liabilities						7,153,637,181,345

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Income statement

For the year ended 31 December 2018

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Gross revenue	4,801,478,541,408	93,466,802,496	429,819,598,512	-	175,379,389,248	5,500,144,331,664
Net revenue	4,801,478,541,408	93,466,802,496	429,819,598,512	-	175,379,389,248	5,500,144,331,664
Cost of sales	4,531,427,178,000	89,462,239,872	379,113,386,592	-	103,136,777,856	5,103,139,582,320
Gross profit	270,051,363,408	4,004,562,624	50,706,211,920	-	72,242,611,392	397,004,749,344
Financial income						190,480,534,848
Financial expenses						257,694,450,960
Selling expenses						12,527,949,936
General and administration expenses						284,929,049,760
Operating profit						32,333,833,536
Other income						153,997,978,848
Other expenses						14,159,531,232
Profit from other activities						139,838,447,616
Accounting profit before tax						172,172,281,152
Income from investments in joint ventures						60,514,599,120
Current corporate income tax expense						77,544,566,592
Deferred corporate tax income						(17,549,080,848)
Net profit after corporate income tax						172,691,394,528

Balance sheet

As at 31 December 2017

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Assets						
Segment assets	13,979,064,989,209	89,465,395,845	7,643,211,649,931	2,311,897,995	103,406,682,675	21,817,460,615,655
Unallocated assets	-	-	-	-	-	-
Consolidated assets						21,817,460,615,655
Liabilities						
Segment liabilities	8,267,897,481,018	15,907,649,194	30,613,736,984	2,311,902,981	27,796,337,868	8,344,527,108,045
Unallocated liabilities	-	-	-	-	-	-
Consolidated liabilities						8,344,527,108,045

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Income statement

For the year ended 31 December 2017

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Gross revenue	3,439,886,202,219	89,198,513,561	129,924,218,441	109,293,315,617	122,407,025,202	3,890,709,275,040
Net revenue	3,439,886,202,220	89,198,513,561	129,924,218,441	109,293,315,617	122,407,025,202	3,890,709,275,040
Cost of sales	3,256,747,071,953	98,995,054,079	172,462,088,887	96,684,596,855	73,944,918,986	3,698,833,730,760
Gross profit/(loss)	183,139,130,267	(9,796,540,518)	(42,537,870,446)	12,608,718,762	48,462,106,216	191,875,544,280
Financial income						198,270,873,360
Financial expenses						279,225,727,200
Selling expenses						18,563,171,760
General and administration expenses						569,024,258,040
Operating loss						(476,666,739,360)
Other income						634,584,993,840
Other expenses						11,855,221,560
Profit from other activities						622,729,772,280
Accounting profit before tax						146,063,032,920
Income from investments in joint ventures						4,905,343,800
Current corporate income tax expense						176,579,199,720
Deferred corporate tax income						(61,172,541,360)
Net profit after corporate income tax						35,561,718,360

29. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Sales of trading	1,349,649,345,408	408,472,197,840
Sales of drilling services	2,084,568,990,240	1,743,528,311,280
Sales of well technical and other services	2,065,925,996,016	1,738,708,765,920
	5,500,144,331,664	3,890,709,275,040

Sales transactions with related parties: see Note 41.

30. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Cost of trading	1,314,401,459,808	381,009,053,880
Cost of drilling services	2,102,815,740,336	1,910,038,974,480
Cost of well technical and other services	1,685,922,382,176	1,407,785,702,400
	5,103,139,582,320	3,698,833,730,760

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31. COSTS BY NATURE

	Current year	Prior year
	VND	VND
Raw materials and consumables	1,525,471,008,768	704,823,638,400
Labour	1,913,890,154,448	1,755,372,011,400
Depreciation and amortisation	608,452,631,664	788,288,151,193
Out-sourced services	1,366,761,026,448	758,425,164,840
(Reversal)/Additional provision	(107,925,344,688)	122,600,002,367
Other expenses	93,947,105,376	156,912,192,360
	5,400,596,582,016	4,286,421,160,560

32. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest income	87,446,945,088	138,267,145,800
Foreign exchange gain	103,033,589,760	60,003,727,560
	190,480,534,848	198,270,873,360

33. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Interest expense	170,182,139,616	193,142,993,400
Foreign exchange loss	74,378,706,144	63,373,181,760
Other financial expenses	13,133,605,200	22,709,552,040
	257,694,450,960	279,225,727,200

34. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Labour	246,427,957,104	252,839,588,400
Depreciation and amortisation	17,128,097,328	21,935,370,240
Out-sourced services	87,614,050,944	95,875,209,360
(Reversal)/Additional provision	(121,488,371,472)	144,615,754,080
Other expenses	55,247,315,856	53,758,335,960
	284,929,049,760	569,024,258,040

35. OTHER INCOME

	Current year	Prior year
	VND	VND
Disposal of fixed assets	-	233,377,200
Reversal of Scientific and Technological Development Fund	142,425,949,690	627,342,839,924
Others	11,572,029,158	7,008,776,716
	153,997,978,848	634,584,993,840

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36. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year	Prior year
	VND	VND
Profit before tax	232,686,880,272	150,968,376,720
Adjustments for taxable profit		
<i>Less: non-taxable income</i>	145,303,783,968	836,155,994,471
<i>Add back: non-deductible expenses</i>	101,263,127,581	11,216,114,026
Taxable income/(loss)	188,646,223,885	(673,971,503,725)
<i>Current corporate income tax</i>	51,825,048,624	36,486,268,560
<i>Corporate income tax expense on reversal of Scientific and Technological development fund</i>	24,446,588,880	140,066,304,840
<i>Additional corporate income tax expense of prior years</i>	1,272,929,088	26,626,320
Current corporate income tax expense	77,544,566,592	176,579,199,720

For the year ended 31 December 2018, in accordance with Law on Corporate Income Tax ("CIT"), applicable CIT rate is 20% of taxable income of the Group (2017: 20%), except for the incentives as follows:

- PVD Training is obliged to pay CIT at the rate of 10% of its assessable income from training over its operating period and 20% of its assessable income from other activities.
- PVD Deepwater is obliged to pay CIT at the rate 10% for 15 years from assessable income generated by PV Drilling V (2011). PVD Deepwater is entitled to CIT exemption for 4 years from the first profit-making year (from 2012 to 2015) and a reduction of 50% for the following 9 years (from 2016 to 2024).

In 2018, the Group recorded additional CIT expense with the amount of VND 24,446,588,880 (2017: VND 140,066,304,840) for income arising from reversal of unused Science and Technology Development Fund in 2015.

The Group's tax reports are subject to examination by the tax authorities. As the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the translated consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

At the balance sheet date, the Company has unused tax losses of VND 1,183,526,348,996 (2017: VND 957,761,326,334) available for offset against future profits. No deferred tax asset has been recognized due to the uncertainty of future profits. These losses can be carried forward for a maximum period of five years from the year it was incurred.

The benefits from the Company's tax losses carried forward expire according to the following schedule:

	Tax losses		
	The Company	PVD Deepwater	Total
	VND	VND	VND
2021	372,757,103,174	-	372,757,103,174
2022	461,276,407,062	112,068,479,880	573,344,886,942
2023	208,411,098,960	29,013,259,920	237,424,358,880
	1,042,444,609,196	141,081,739,800	1,183,526,348,996

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37. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary shareholders of the Group is based on the following data:

	Current year	Prior year
	VND	VND
Profits attributable to the Company's shareholders	197,786,236,424	45,280,185,902
Appropriation to Bonus and Welfare fund	(46,207,965,903)	(16,849,524,476)
Earnings for the purpose of calculating basic earnings per share	151,578,270,521	28,430,661,426
Weighted average number of ordinary shares	382,850,160	382,850,160
Basic earnings per share	396	74

38. CONTINGENT LIABILITIES

As at the date of these translated consolidated financial statements, the Group has not completed the tax finalization for its branch operation in Algeria and Malaysia in accordance with the local tax finalization procedures. The tax finalization will be done by the Authorities of Algeria and Malaysia upon the completion of Algeria and Malaysia projects and the tax liabilities will be determined at that time. However, the Group's Board of Directors believe that no significant tax liabilities will incur upon the tax finalization of these branches and therefore no additional provision has been made.

39. OPERATING LEASE COMMITMENTS

	Current year	Prior year
	VND	VND
Minimum lease payments under operating leases recognised in income statement for the year	47,022,266,342	55,777,930,455

As at the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	33,992,626,375	36,393,299,150
In the second to fifth year inclusive	64,246,578,197	61,344,061,563
After five years	60,092,125,430	53,272,308,959
	158,331,330,002	151,009,669,673

Operating lease commitments represent rental payable by the Group which related to the lease contracts of office, warehouse and land with the duration over one year.

40. FINANCIAL INSTRUMENTS**Capital risk management**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings disclosed in Note 20 and Note 22, offset by cash and cash equivalents) and equity attributable to shareholders of the Group (comprising owners' contributed capital, share premium, treasury shares, foreign exchange difference, reserves and retained earnings) and non-controlling interests.

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Gearing ratio

The gearing ratio of the Group as at the balance sheet date was as follows:

	Closing balance	Opening balance
	VND	VND
Borrowings	3,839,599,896,165	4,672,215,116,175
Less: Cash and cash equivalents	2,265,202,237,815	1,803,323,952,900
Net debt	1,574,397,658,350	2,868,891,163,275
Owners' equity	13,849,807,211,685	13,472,933,507,610
Net debt to equity ratio	0.11	0.21

Significant accounting policies

Details of the significant accounting policies and methods adopted by the Group (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Categories of financial instruments

	Closing balance	Opening balance
	VND	VND
Financial assets		
Cash and cash equivalents	2,265,202,237,815	1,803,323,952,900
Trade and other receivables	1,597,526,919,750	1,420,689,365,865
Held-to-maturity investments	1,103,645,971,695	2,148,216,872,595
	4,966,375,129,260	5,372,230,191,360
Financial liabilities		
Loans and borrowings	3,839,599,896,165	4,672,215,116,175
Trade and other payables	1,015,308,450,195	720,412,305,945
Accrued expenses	279,495,617,685	333,278,716,410
	5,134,403,964,045	5,725,906,138,530

The Group has not yet assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC dated 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

Financial risks include market risk (consisting of foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group has hedged these risks exposures by controlling and managing the cash flows (including foreign currencies cash flows) and closely tracking with market information to have proper hedging instruments.

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Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. However, the Group manages to balance the cash inflow and outflow of foreign currencies by negotiating business contracts based on the demand foreign currencies payables to its receivables sources in order to minimize the foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2018 and 31 December 2017 are as follows:

	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND	VND	VND	VND
United States Dollar ("USD") (Subsidiaries)	883,034,506,565	1,028,395,191,477	667,989,331,226	4,555,525,978,274
Vietnam Dong ("VND") (The Company)	1,864,387,292,704	3,364,170,790,940	545,949,135,332	501,859,663,152
Algerian Dinar ("DZD")	660,753,875	25,714,516,141	390,969,183	4,201,241,516
Singapore Dollar ("SGD")	620,006,871	614,618,138	6,733,092,596	2,795,513,901
Euro ("EUR")	21,995,261,620	9,346,355,251	25,428,657,494	206,449,656
Thai Baht ("THB")	1,563,213	74,724,215,835	124,227,301	20,582,993
British Pound ("GBP")	112,330,708	175,980,738	3,765,873,607	421,974,879
Myanmar Kyat ("MMK")	22,816,572	22,343,384	357,961,033	-
Malaysia Ringgit (MYR)	518,120,422,146	-	270,957,677,533	-
Australian Dollar ("AUD")	-	22,294,201	346,214,448	48,036,428

Foreign currency sensitivity analysis

The Group is mainly exposed to Vietnam Dong and subsidiaries exposed to United States Dollar.

The rate of 2% (2017: 2%) is the sensitivity rate used when reporting foreign currency risk internally to the Board of Directors and represents the Board of Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% change in foreign currency rates. For a 2% increase/decrease in Vietnam Dong against United States Dollar, the Group's profit before tax in the year would change as follows:
đổi như sau:

	Current year	Prior year
	VND	VND
Decrease in the Company's profit	(26,194,463,712)	(57,284,100,720)
Increase/(decrease) in Subsidiaries's profit	4,272,465,408	(70,589,300,040)
Decrease in consolidated profit	(21,921,998,304)	(127,873,400,760)

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Base on the similar analysis to other foreign currencies, there was no significant effect to business result of the Group.

Interest rate risk management

The Group is exposed to interest rate risks arising mainly from interest bearing loans. The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate ratio between fixed and floating rate borrowings.

Interest rate sensitivity

The loan's sensitivity to interest rate changes was assessed by the Group that may arise at an appropriate level is fluctuation in floating interest bearing loan of higher/lower 30 basis points. Assuming all other variables were held constant and the loan balance at the balance sheet date were the outstanding amount for the next year, if interest rates applicable to floating interest bearing loans had been 30 basis points higher/lower, the Group's profit before tax would have decreased/increased by VND 11,442,654,674 (2017: VND 14,025,924,360).

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Group. Therefore, the Group has devised an appropriate credit policy in place and the exposure to credit risk is monitored on an on-going basis. As at 31 December 2018, the Group made provision for doubtful debts which was overdue for more than six months in accordance with regulations of Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Group believes can generate within that year. The Group policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash, borrowings and adequate committed funding from its shareholders to meet its liquidity requirements in the short and longer term.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets, and undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, if any. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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	Less than 1 year	From 1 - 5 years	More than 5 years	Total
	VND	VND	VND	VND
Closing balance				
Cash and cash equivalents	2,265,202,237,815	-	-	2,265,202,237,815
Trade and other receivables	1,582,416,475,050	15,110,467,845	-	1,597,526,942,895
Held-to-maturity investments	1,011,769,973,160	91,875,998,535	-	1,103,645,971,695
	4,859,388,686,025	106,986,466,380	-	4,966,375,152,405
Loans	362,413,043,085	836,734,267,365	2,640,452,585,715	3,839,599,896,165
Trade and other payables	1,015,308,450,195	-	-	1,015,308,450,195
Accrued expenses	279,495,617,685	-	-	279,495,617,685
	1,657,217,110,965	836,734,267,365	2,640,452,585,715	5,134,403,964,045
Net liquidity gap	3,202,171,575,060	(729,747,800,985)	(2,640,452,585,715)	(168,028,811,640)

	Less than 1 year	From 1 - 5 years	More than 5 years	Total
	VND	VND	VND	VND
Opening balance				
Cash and cash equivalents	1,803,323,952,900	-	-	1,803,323,952,900
Trade and other receivables	1,401,679,437,090	19,009,928,775	-	1,420,689,365,865
Held-to-maturity investments	2,148,216,872,595	-	-	2,148,216,872,595
	5,353,220,262,585	19,009,928,775	-	5,372,230,191,360
Loans	1,342,640,443,845	3,185,185,612,620	144,389,059,710	4,672,215,116,175
Trade and other payables	720,412,305,945	-	-	720,412,305,945
Accrued expenses	333,278,716,410	-	-	333,278,716,410
	2,396,331,466,200	3,185,185,612,620	144,389,059,710	5,725,906,138,530
Net liquidity gap	2,956,888,796,385	(3,166,175,683,845)	(144,389,059,710)	(353,675,947,170)

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41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

Related party	Relationship
Petrovietnam Company's subsidiaries	Company has investment from Petrovietnam
The Group's joint ventures	Joint Venture
Petrovietnam's Joint Ventures/Joint Operating Companies/ Petroleum Sharing Contracts	Company has investment from Petrovietnam

During the year, the Group entered into the following significant transactions with its related parties:

	Current year	Prior year
	VND	VND
Sales		
Petrovietnam's subsidiaries	498,270,208,320	180,140,660,577
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	2,338,847,887,632	2,089,302,321,744
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>Talisman Vietnam 07/03 B.V</i>	434,541,879,408	457,480,543,902
The Company's joint ventures	88,694,491,008	81,380,123,116
Purchases		
Petrovietnam's subsidiaries	42,169,443,264	128,007,567,584
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>PetroVietnam Technical Services - Corporation Branch - PTSC Marine</i>	23,007,473,616	44,266,624,584
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	13,381,803,840	5,372,088,233
The Company's joint ventures	122,438,561,856	144,610,724,772
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>PVD-Expro</i>	50,477,947,344	-
<i>BJ-PVD</i>	31,205,914,992	27,507,580,430
<i>PVD-Baker Hughes</i>	35,279,108,736	96,683,530,438

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Related party balances at the balance sheet date were as follows:

	Closing balance	Opening balance
	VND	VND
Receivables		
Petrovietnam's subsidiaries	102,922,389,540	52,804,461,103
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	1,022,351,103,375	978,782,927,935
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>Vietsopetro Joint Venture</i>	403,047,909,510	154,514,775,157
<i>PetroVietnam Exploration Production Corporation</i>	206,871,190,395	185,194,982,921
The Company's joint ventures	50,832,298,830	62,921,176,109
Payables		
Petrovietnam's subsidiaries	25,693,261,104	33,611,402,757
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>PetroVietnam Technical Services Corporation Branch - PTSC Marine</i>	10,386,636,000	16,082,949,872
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	20,462,742,048	39,559,457,776
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>Bien Dong Joint Operating Company</i>	12,771,550,176	14,579,578,560
The Company's joint ventures	51,624,144,528	49,048,706,604
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>PVD-Expro</i>	22,952,338,800	7,504,088,603
<i>PVD-Baker Hughes</i>	19,524,093,648	34,642,482,333

Remuneration paid to the Group's Boards of Management and Others during the year was as follows:

	Current year	Prior year
	VND	VND
Salaries	5,988,992,200	4,573,577,676
Bonus	306,841,267	1,009,010,334
Other benefits	154,000,000	361,700,000
	6,449,833,467	5,944,288,010

NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

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42. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED CASH FLOW INFORMATION

Supplemental non-cash disclosures

Interest expense during the year excluded an amount of VND 15,455,606,085 (2017: VND 21,994,048,005), representing interest expense during the year that have yet not been paid. Consequently, changes in accounts payables have been adjusted by the same amount.

Cash outflows for acquisition and construction of fixed assets during the year excluded an amount of VND 3,785,916,527 (2017: VND 12,161,381,715), representing additions of fixed assets during the year that have not yet been paid. Consequently, changes in accounts payables have been adjusted by the same amount.

Interest income, dividends and profits received during the year excluded an amount of VND 58,895,507,640 (2017: VND 84,031,144,785), representing interest income, dividends and profits declared during the year to be received. Consequently, changes in accounts receivables have been adjusted by the same amount.

43. APPROVAL FOR ISSUANCE OF THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

The translated consolidated financial statements for the year ended 31 December 2018 were approved by the Group's Board of Management for issuance on 29 March 2019.



Pham Tien Dung
President
29 March 2019

Doan Duc Tung
Chief Accountant

Tran Kim Hoang
Preparer

GREEN
ENVIRONMENT

The illustration shows a vibrant green city with various skyscrapers and buildings, situated on a green globe. The city is surrounded by lush green trees and parks. In the sky, there are several hot air balloons and an airplane flying. The background is a clear blue sky with white clouds at the bottom.